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GENERAL INDEX

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A Year of Decision?

SELDOM in recent years has the economic prospect of the country appeared so satisfactory as at the end of 1959. Industrial production during the past year has risen nearly 8 per cent and the gross national product by 4 per cent. In the same period the level of unemployment has been reduced from nearly 670,000 to less than 450,000, or from 3 to 2 per cent of the insured working population. At home the retail price index has been remarkably stable, although this fact has not restrained a large range of wage claims. The volume of United Kingdom exports has been well maintained and the surplus on the overseas current account for the past year will probably reach some £250 million, or £100 million less than the revised figure for the 1958 record surplus. Nevertheless, it has been sufficient to sustain the gold and dollar reserves despite the recent repayment of the \$250 million loan from the Export-Import Bank. The strength of sterling throughout the autumn election campaign provided an eloquent testimony to the United Kingdom's improved trade position, just as the latest liberalization measures regarding dollar imports and the abolition of the tourist allowance reflect the authorities' justifiable confidence.

Gratifying as this significant improvement in the state of the economy undoubtedly is, it would be idle to pretend that henceforth it will be all plain sailing. A major contributory factor to the stability of both internal prices and the economy overall has been the continuation of the United Kingdom's favourable terms of trade. Taking the average of import prices during 1957 as 100, for most of the current year the index averaged about 95. From the mid-year on, however, there was a continuous and perceptible increase in import costs, not least in the case of raw materials. This revival reflects the rise in world economic activity and as raw material imports, at home and abroad, continue to increase in volume, so their prices will rise. It is noteworthy that present raw material stocks in the United Kingdom are low.

Some compensation for this adverse shift in the United Kingdom's terms of trade will undoubtedly be found in the expansion of purchasing power among the primary producers in the Commonwealth which will tend to reverse the recent United Kingdom deficit with the sterling area countries. The increase of total exports over the past year owes much to the expansion of Britain's trade with the non-sterling areas; in particular Europe and the United States. During the first nine months of 1959 United Kingdom exports to North America increased by 25 per cent. It is too much to hope that this rate of expansion can be

sustained; indeed, the country will do well if the present level of exports to the North American market can be held. Nevertheless, the further decline in Britain's proportionate share of world trade is significant.

The obvious question on entering the new year is whether the present economic expansion can be maintained without initiating a new rise in prices. During the period September 1957 to mid-1959, a modest degree of price stability was achieved – largely at the cost of permitting deflationary forces to restrict industrial production and retard the rate of expansion of the national product. In the last few months of 1959, however, a marked revival has taken place. As the economic expansion gathers momentum, it may reasonably be asked whether the country may expect a further twist of the inflationary spiral as the pressure on resources grows. The Federation of British Industries' inquiries into industrial capacity reveal that the slack in the British economy is being taken up quite rapidly, although the sudden increase in industrial production indicates that the country has now begun to derive some benefit from the large volume of industrial investment made during 1954–56.

Despite the undoubted improvement that has taken place within the economy, the unemployment black spots remain. The level of unemployment in Northern Ireland and Scotland is substantially above the national average. Furthermore, in contrast with the motor industry, redundancy in the coal and shipbuilding industry is inevitable. The solution to these difficulties is to be found in positive measures aimed at bringing work to those areas, and the Government's policy in this matter will be watched with more than passing interest in view of recent developments. The current revival should not be allowed to obscure the fact that it is based largely upon consumption demand inflated by generous hire-purchase facilities. Nor is it certain that without wage increases consumer expenditure can be maintained at its present level as repayments on the growing hire-purchase debt fall due, unless disposable incomes rise after the next Budget or the public changes its saving habits. There has been, as yet, no corresponding expansion of the capital goods industries, which doubtless await a revival of industrial corporate

investment. This will hardly begin until all the present slack in the economy is taken up and then it may well intensify the inflationary pressure. It is in any case a matter for concern that the present level of industrial investment in Western Germany is considerably higher than that in Britain.

The past record of the Government's economic policy makes it clear that the CHANCELLOR will not hesitate to revive the disinflationary measures in order to protect the balance of payments position and the reserves if there is any obvious re-emergence of inflationary forces. In this context the major problem remains as intractable as ever it was. At the moment wage claims pending settlement total some £250 million and increases in wage rates or reductions in the working week, granted since the summer, represent a rise of about 4 per cent in labour costs to the industries concerned. Such increases have been justified on the score of larger output in those industries, rather than upon any increase in the cost of living. These developments emphasize an important point of principle, that is, to what extent should the consumer share in the greater productivity and higher profits of industry? For example, the record profit of the nationalized electricity industry has provided a substantial benefit to labour in that industry, but no reduction in the tariffs for consumers has been announced.

It is indeed to be regretted that the CHANCELLOR's plea for price reductions seems to have met with so little response, either from the public boards or the private sector where both manufacturers and distributors will have to share any cost reductions with the consumer. If the CHANCELLOR's policy can be implemented it will not only halt the post-war inflation but ensure that all sections of the community share in the growing productivity of the economy, not just labour and the shareholders in prosperous industries.

There is a growing realization in the country that wage negotiations can no longer be regarded as a private issue between employers and employed; the community has a right to protection from sectional interests of all kinds. Only the Government can decide whether 1960 will be another year of inflationary drift; it could be a year of decision.

Investment of Trust Funds

THE Government's proposals for widening the powers of investment of trustees in Great Britain, published last week in the form of a White Paper,¹ come none too soon: for many beneficiaries they come far too late. Save where the trust instrument itself permits a wider range of securities, or such a range has been sanctioned by HER MAJESTY, exercising her prerogative powers in the case of a chartered corporation, by a private Bill, or by an order of the Court, trustees are obliged at present to invest the trust moneys within the narrow confines of the Trustee List prescribed by the Trustee Act, 1925, and only inadequately extended by later legislation. In 1925 there may well have been something to be said for being, like TIMOTHY FORSYTE, in Consols, but the danger to income of investment in 'gilt-edged' had become apparent even before the late war, and since it, such stocks have suffered a disastrous capital depreciation.

The intention is to permit trustees to invest, not only in a wide range of fixed-interest securities but also in the stocks and shares of certain companies. The proposed permissible investments constitute three categories. Into the first fall 'small savings', namely, small savings securities issued by the United Kingdom and Northern Ireland Governments (other than Premium Bonds) on terms which entitle the holder to encash them at par or above at not more than six months' notice, and deposits in the Post Office Savings Bank, the Ordinary Department of a Trustee Savings Bank, or in any savings bank certified by the Treasury under Section 9 (3) of the Finance Act, 1956. Secondly come what may broadly be described as 'fixed-interest' securities other than 'small savings': these include, *inter alia*, the ordinary 'gilt-edged' stocks; also mortgages, in England, Wales and Northern Ireland, of freehold land or leasehold land of which the lease has not less than sixty years to run, and, in Scotland, of heritable securities. The third category includes shares of building societies 'designated' under the House Purchase and Housing Act, 1959, and also convertible debentures or any stock or shares of any company incorporated in

the United Kingdom and units of Unit Trusts authorized by the Board of Trade. The right to put trust moneys into the last two types of investment would constitute the most important relaxation of the present restrictions.

The existing Trustee List was framed so as to give protection to trustees and also to the interests of beneficiaries. It is proper that the new proposals include conditions aimed at the maintenance of this protection: hence before putting trust funds into investments included in either of the second and third categories referred to above, trustees (other than institutional trust corporations) must act on the 'written advice from a competent professional financial adviser such as a stockbroker, accountant or bank manager'. Not more than half the trust fund, including additions to it, valued at the time of investment, may be invested in securities falling within the third category. Save in the case of local authority bonds and mortgages and building society shares, funds may not be invested in stock or shares not quoted on a stock exchange in the United Kingdom or in any shares not fully paid up. Clearly, these are wise precautions, and so is restriction to investment in companies with a total issued and paid-up share capital of not less than £1 million, which have paid dividends on all their issued share capital in each of the five years preceding investment. The further restriction, limiting the amount which may be invested in any one company, or Unit Trust, or in the shares of any one building society, to not more than one-tenth of the fund or £250, whichever is the greater, is reasonable.

It is to be hoped that legislative effect will be given to the proposals with as little delay as possible, for although it has been the practice for some time past when creating new trusts to give the trustees wide investment powers, there exist many older trusts where the only permitted investments are those in the Trustee List and it is not unusual, even today, for a will to be made creating trusts but failing to give express powers of investment, so that the Trustee List alone is available. While much trust capital has been lost, more may yet be lost if it is not saved by investment in securities less vulnerable than 'gilt-edged'.

¹ Cmnd. 915 (1959). H.M.S.O. 6d net.

Company Law and Practice Abroad

by KENNETH S. MOST, LL.B., A.C.A.

COMPANY law amendment is once again under consideration, although only eleven years have passed since a comprehensive revision resulted in the Companies Act, 1948. Such rapid obsolescence must be attributable to the tremendous expansion in the numbers of both companies and shareholders which has characterized our era. The corporate body dominates our economic activities, and that is why company legislation must be so complex. It must, in addition to creating the necessary conditions for companies to live and work, contain regulations which protect shareholders from fraud and misrepresentation, and the public generally from these and other abuses. The necessity to amend the Companies Acts at frequent intervals springs from deep and fundamental social changes in respect of these matters; we challenge situations which our fathers accepted as 'normal', and our children will doubtless do the same.

In announcing the setting up of a committee of inquiry into company law, with Lord Jenkins as its chairman, the President of the Board of Trade said that it would have power to obtain information on the practices of other countries in respect of companies. This article will attempt to distinguish between the legal status of companies in a number of countries abroad, comparing them with the United Kingdom where appropriate, and to examine the legislation regarding company accounts and audits.

What is a Company?

Before embarking, however, it may be as well to restate in simple terms what a company is and the reason for its existence. Forgoing a detailed definition, it may be emphasized that a company is a *person* created by law, and the continental legal systems distinguish between physical persons and 'social' persons. The rights and duties of a company or 'social person' are a combination of those which appertain to all persons, those which are given to all companies by the Companies Act in force, and those which it prescribes for itself under its memorandum and articles of association. But a company is only a means to an end, and in the vast majority of cases that end is to raise money for investment. According to a United States source, the total of new capital attracted to American industry

through the use of corporations during thirty years after 1880 amounted to one and two-thirds times the total national wealth in 1880. We know why this was so; the company allows the investor to risk a part of his money capital in commercial enterprises without exposing his whole fortune to the consequences of failure.

Legislation Alone not Enough

We have seen that the protection of both the private investor and the public is not left solely to the Companies Act in force, and this is the case in all countries. Most European countries have comprehensive commercial codes which codify laws that have developed over centuries out of custom, statute and jurisprudence. Such commercial codes are applicable to commercial activities irrespective of the legal form under which they are carried on, just as our Sale of Goods Act, 1893, applies to all sales of goods, without reference to the status of either vendor or purchaser.

In France and Germany, for example, all businesses must be inscribed in a commercial register maintained by the competent local jurisdiction, and not merely those businesses which have corporate status or which trade in a name other than that of the proprietor. This makes them subject to the provisions of the commercial code relating to keeping accounts and taking periodical inventories, as well as providing convenient facilities for settling questions of domicile and place of contracting, for tracing, and for gathering evidence on charges of fraud. The number under which the business is inscribed in the register must be quoted in all communications with other parties.

We shall see later that the accounting regulations applicable to companies in certain continental countries derive as much from the commercial code as from the company legislation.

It would be wrong, therefore, to start from the assumption that the activities of companies are solely regulated by legislation passed specifically with them in mind. There is much to be said for the viewpoint that the general level of conduct in commerce should be the same, irrespective of the legal status of the operator, and this would apply to the obligation to keep proper books of account and to prepare periodical accounting

statements and inventories of assets and liabilities. Indeed, it is noteworthy that some of the most advanced company practices do not derive from company legislation at all, and two may be cited as examples.

In the U.S.A., the major influence on the improvement of protection for the investing public is that of the Securities and Exchange Commission, which requires public companies to file a quantity of financial and other information, and to keep it up to date, as a condition for allowing their shares to be dealt with on a stock exchange. In respect of the financial accounting and prospectus information required to be filed by companies, therefore, the S.E.C. has virtually replaced company legislation, which in fact differs from State to State.

Again, in France, the Government has permitted companies to revalue assets and liabilities in order to mitigate the effects of the post-war inflation, but has required all companies taking advantage of these provisions - which secure substantial fiscal benefits to them - to submit annual accounts in a prescribed form. By this simple means, the French Government succeeded in establishing a high and uniform standard of presentation of the accounts of companies, without recourse to company law amendment.

The Corporation in the U.S.A.

Each of the forty-nine States of the U.S.A. has its own company legislation, because each State has the sovereign right within its frontiers to grant charters of incorporation. Although many of the provisions are standard from State to State, there are also substantial variations, and a discussion of this subject would be too protracted.

One important difference between United States and British company law is that all States in the U.S.A. permit the issue of shares of no par value. Accountants will find it difficult to appreciate exactly which psychological barrier prevents British lawyers from transcending the concept of nominal capital, and accepting the fact that the position of a company and the value of its shares are more accurately reflected on the basis of assets cover or yield. Be that as it may, shares of no par value appear to afford a considerable protection to the investor, who is automatically relieved of the risk attendant on one likely source of misunderstanding or even misrepresentation.

Another interesting device encountered in United States company law, this time for the protection of creditors, is the 'chattel mortgage',

which places a lien on some or all of the company's personal property (stocks, debtors and moveable equipment) in favour of a designated creditor.

Equity capital in the U.S.A. is called 'common stock', and preference capital, which may be convertible into common stock, is called 'preferred stock'. The place of preference capital in company financing is increasingly taken by the 'bond indenture' which is essentially a loan contract between the corporation and the financier. The bond does, however, display certain of the characteristics of an investment participation, and we may therefore consider the various forms it may take.

Standard Terminology

In the first place, a company may issue bonds under the borrowing conditions laid down by its by-laws and subject to the approval of its stockholders, and either issue them unsecured or else secured by mortgages on its real estate or other franchises. The tendency is for bonds to move away from the mortgage security, since it is recognized that the property mortgaged is frequently worthless if the company does not prove viable. The S.E.C. has succeeded in establishing a standard terminology here, and a mortgage bond is contrasted with a debenture, or unsecured bond issue. It is possible for these two types of borrowing to exist side by side, which creates a qualitative difference between various types of creditor investment. Another means of doing this is by the 'subordinated debenture' where companies issue unsecured obligations expressly subordinated to other obligations of the company in respect of principal, interest and sinking fund requirements.

Non-voting shares are still found in the U.S.A., normally attaching to a class of shares which has priority as to dividends. Some States, such as Illinois, have enacted that all shareholders must have one vote per share, regardless of class or priority, and the influence of the S.E.C. is tending towards such arrangements becoming standard practice.

Another important point to notice about United States practice is that most corporations do have the option under their articles to purchase corporate stock, under conditions prescribed by law, which are aimed at preventing assets from being siphoned off, to the detriment of prior claims.

Legislation on the Continent

Continental company law differs in important respects from British law; some continental

observers find that there are no points of similarity whatsoever. After saying this, we may try to find our way through the dissimilar legislation, always bearing in mind that analogies may be merely apparent.

The first point is that continental company law distinguishes between companies formed for the purpose of holding property, e.g. to obtain the benefits of perpetual succession, and those which are formed for commercial objects. The former are known as 'civil companies' and the latter as 'commercial companies'. We find that many companies of the 'civil' type are formed each year by the trustees of charities or the co-operative owners of a block of flats, and by a number of other non-commercial incorporators. Legislation applicable to the 'civil' company has the object of preventing it from being used for commercial purposes; and, in return, the company is relieved of a number of the obligations which fall upon commercial companies and their officers.

Next, continental legislation distinguishes between the 'personal' company, where the incorporators know each other personally, and the 'capital' company, where the shareholders are, in principle, 'anonymous'. The laws relating to 'capital' companies are more strict, yet it is not possible to assimilate them to the 'private' and 'public' companies of British law.

There is a substantial similarity between the various continental countries in respect of the forms which companies may take, and the legislations which control them. The so-called 'personal' companies are what we should classify as partnerships, and usually have unlimited liability for the incorporators. Limited partnerships are a kind of 'personal' company where one or more incorporators enjoy limited liability. Companies properly so-called are divided into two classes, which correspond roughly to our private and public companies.

COMMON FORMS OF CORPORATION

English	French	German
Partnership with limited partners	Société en commandite simple	Kommanditgesellschaft (KG)
Private company	Société à responsabilité limitée (S.A.R.L.)	Gesellschaft mit beschränkter Haftung (GmbH)
Public company	Société Anonyme (S.A.)	Aktiengesellschaft (AG)

French Company Law

French company law dates from July 24th, 1867, although there has been substantial amendment in the intervening period. Seven persons are

required in order to form a *Société Anonyme*. Nominal capital must be subscribed in its entirety, and the permission of the Finance Minister must be obtained for issues exceeding 100 million francs. Both bearer and inscribed shares may be issued. Where shares are issued in exchange for assets other than cash they are called *actions d'apport* and can be written off in accordance with specific rules, the owners retaining an interest in the profits of the company; they are then called *actions de jouissance*. These are the ordinary shares; another class are the *parts de fondateur*, which have certain of the characteristics of preference shares. The creditor capital of companies is represented by the *emprunt obligataire*, or bond.

Companies are administered by a *conseil d'administration*, or board of directors, appointed by the company at the annual general meeting, which must take place on a stated date after the end of the financial year. Directors are appointed for five or six years at a time, and are required to deposit a certain number of shares as guarantees of their conduct. One-third of the *conseil d'administration* is reappointed every three years, in order to ensure continuity in the management of the company. Remuneration is by means of fees (*jetons de présence*) and a percentage of profits (*tantièmes*).

The importance of the holding company relationship to its subsidiaries was recognized by a law of 1943, which required *titres de participation* to be shown separately in the balance sheet of a holding company. *Titres de participation* are defined as shareholdings of more than 10 per cent of the capital of another company. French company law does not require consolidated accounts to be prepared.

German Company Law

The German law regulating public companies is the *Aktiengesetz*, now in the process of amendment. A minimum capital of DM100,000 is required for incorporation, and the minimum nominal value of each share is DM100. Five persons are required to form a company where the capital is less than DM3 million; twelve where the capital is DM3 million to DM20 million; and fifteen where the capital exceeds DM20 million. The capital must be subscribed in full, but if the articles of incorporation specify a definite date for each call on shares, only 25 per cent need be paid up on incorporation.

In addition to the shareholders in general meeting and the board of directors (*Vorstand*),

the German company has an additional organ in the supervisory board (*Aufsichtsrat*) which is appointed by the shareholders and which itself appoints the directors. It is interesting to note that the chairman of the board of directors has full power to take any decision, even in the face of a majority of dissenting directors, subject only to the obligation to consult the supervisory board.

Ordinary and preference shares are permitted, but only certain dividend rights can be reserved to preference shareholders, and preferential voting rights are illegal.

The private company is regulated by the *GmbHgesetz* and a minimum capital of DM200,000 is required. Three persons can form such a company, and only 25 per cent of the capital need be called up. A supervisory board is appointed only where the articles require it. An interesting feature is that the GmbH does not issue shares, and its capital may be subscribed entirely by one person. The GmbH is exempt from the provisions of the *Aktiengesetz* calling for the audit and publication of its balance sheet.

The very ambitious project of company law reform which is now being considered by various official organizations calls for a more active role to be given to the supervisory board of the *Aktiengesellschaft*. It provides that profits should be withheld for development purposes and distributed to shareholders in equal proportions, and strengthens the hands of shareholders at general meetings. Other provisions call for a new prospectus to be issued to shareholders when capital is to be invested in new activities; for the board of directors of a company to be notified when another company acquires 20 per cent of its shares; and for increased supervision of the actions of holding companies in relation to their subsidiaries.

Italian Company Law

The great difference between Italian company law and that of other countries is that Articles 2325 to 2461 of the Civil Code of 1942 make it obligatory for those exercising certain forms of activity to incorporate as companies. Public companies must have a capital of at least 1 million lire (shortly to be increased to 25 million) and are called *Società per azione* (S.P.A.). Two persons are required for incorporation, and bearer shares may not be issued except in Sicily and Sardinia.

Another unusual feature of Italian company law is the 'committee of inspection' consisting of from three to five persons appointed by the

shareholders in general meeting. They hold office for three years, meet at least quarterly and inspect the company's affairs to ensure that all laws are being complied with and to check the adequacy of the accounting system and the accuracy of accounts prepared therefrom. They have the right to be present at meetings of the board of directors.

The company laws of Belgium, Holland and Luxembourg are similar to those of France and Germany.

Accounting Regulations on the Continent

In France, the commercial code requires all persons, whether companies or not, who exercise a trade, industry or profession, to keep a journal recording either the daily operations of the business or else a monthly summary thereof, and in the latter case, to keep all supporting documents for eventual verification. An inventory of assets and liabilities must be taken annually, and a balance sheet and profit and loss account drawn up and recorded in the inventory book. The company law calls for an inventory, balance sheet and profit and loss account to be drawn up at the end of every financial year on the same basis as in previous years. Separate legislation covers the cases of banks, insurance companies and lawyers.

Special forms for the published accounts are laid down for banks, insurance companies, building societies, nationalized industries, the so-called 'mixed' enterprises, where there is participation of the public sector in at least 20 per cent of the capital, and for those businesses which have revalued assets and liabilities in accordance with the law dated August 15th, 1945.

In Germany, the commercial code requires all businesses to prepare a balance sheet annually. The *Aktiengesetz* prescribes that the annual accounts of companies shall be drawn up in accordance with accepted accounting principles. Separate legislation covers banks, co-operatives, railways and other transportation companies and building societies.

A particular form of accounts is required from all public companies, and special forms are laid down for building societies, banks, co-operatives, insurance companies and transportation companies.

In Italy, the provisions are substantially the same, with this important difference, that all assets and liabilities must be shown gross on the balance sheet. Fixed assets, for example, must be shown gross at cost, and any provisions for depreciation must appear on the liabilities side

of the balance sheet. A special form of balance sheet is required, with a variant for the case of navigation companies.

The accounting provisions of the Belgian, Dutch and Luxembourg company laws resemble those of France. Swiss accounting regulations are rather more detailed, but only banks and lawyers are required to submit their accounts in a prescribed form.

One aspect of continental balance sheets which sometimes confuses British accountants (besides the prevailing practice of showing assets and liabilities on the left and right of the page respectively) is the appearance of a 'legal reserve' grouped with the capital. A number of countries require companies to transfer, say, 5 per cent of the net profit annually to a 'legal reserve' account, until this account reaches 5 per cent or 10 per cent of the nominal capital. The object of this is apparently to increase the fund to which creditors may look for security, but it is clear that in the absence of provisions requiring companies to keep some or all of their capital and legal reserve in the form of realizable assets, such protection must be largely illusory. Nevertheless, the prevailing practice on the Continent is to require companies to call a general meeting of shareholders when one-third of the original capital has been lost, and if it is decided to liquidate the company at that stage, the legal reserve can then increase the amount which is available for distribution to all parties.

Principles of Valuation

Legislation calling for the observance of certain rules and forms for the preparation and publication of accounts can only be partially effective if it does not deal with the basis of valuation of assets and liabilities. In France, the commercial code places full responsibility for these matters on the directors and shareholders of the company, but the basis of valuation must be consistent unless the shareholders in general meeting expressly approve all alterations after having been given the reasons therefor. In addition, those businesses which have revalued assets and liabilities since the Second World War are obliged to apply the national chart of accounts, the *Plan Comptable Général*. This is a comprehensive accounting manual, and includes, *inter alia*, detailed rules for the valuation of assets and liabilities.

The German commercial code provides that principles of valuation laid down by the *Aktien-gesetz* are applicable to all businesses. These call

for the use of cost for fixed assets, even where market price is lower, and the lower of cost or market price for current assets. Provisions must be set up for contingent liabilities, or those where the actual amount is unknown at the date of the accounts; otherwise liabilities must be included at the figure at which they will be repaid.

A particular feature of the German company law on accounts is that formation expenses and expenses for raising or reorganizing capital may not appear among the assets on the balance sheet. Goodwill may be recorded only if actually purchased, and must be written off within a reasonable period.

The Italian civil code calls for cost or lower market value to be used, and stocks and shares are to be valued at the market price on the balance sheet date. Legislation in Belgium, Holland and Luxembourg does not deal with the principles of valuation.

Besides the rules arising out of commercial and company laws in relation to the accounts of companies, there exist yet others which have for their source the fiscal laws of the countries concerned.

Auditing Regulations

All countries' laws require the published accounts of companies to be audited by independent auditors, and in most cases it is laid down that one or all of the auditors appointed must be members of specified bodies, or in possession of the official State auditing qualification. In some countries the auditor's responsibilities are incorporated expressly in the legislation; thus, in Italy and Switzerland the auditor's responsibilities are to be ascertained from the civil code, while in France and Germany they derive from the commercial code. In spite of this, however, much in regard to this subject remains outside the law and, as in Britain, rests on usage and current practice.

In most countries the auditor certifies that the accounts are in accordance with the books and other documents, that the books have been kept correctly and that legal rules and accounting principles have been complied with in respect of both the valuation of assets and liabilities and the form of the accounts.

In France, Germany and Austria the auditor must also certify the correctness of the report submitted to the shareholders' general meeting by the board of directors. Italy is the one country which requires the auditor to state expressly that he has conformed with the law which lays down the duties and responsibilities of auditors.

Widening the Internal Audit Horizon

by H. C. BOOTH, A.C.A.
Divisional Chief Internal Auditor,
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Introduction

IN 1947, the objectives of internal auditing as defined in the Statement of Responsibilities of the Institute of Internal Auditors, were as follows:

'Internal auditing is the independent appraisal activity within an organization for the review of accounting, financial and other operations, as a basis for protective and constructive service to management. It is a type of control which functions by measuring and evaluating the effectiveness of other types of control. It deals primarily with accounting and financial matters but it may also properly deal with matters of an operating nature.'

By 1957 it was decided that the activities of auditors in the operational field had so developed that the statement should be reviewed and it now reads:

'Internal auditing is an independent appraisal activity within an organization for the review of accounting, financial and other operations, as a basis for service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.'

There is no doubt that most internal auditors would welcome a widening of the scope of their work from what is regarded as the traditional field of financial and accounting controls into the wider field of operational control, and I expect that many of you have seen that happen over the past decade as I have done in my own organization.

We should, however, do well to consider some of the problems or limitations or obstacles that have to be dealt with before this objective can be achieved.

I propose, therefore, to look at the matter first from the viewpoint of the Institute in the United Kingdom and then from the viewpoint of the area in which lies our work.

Concept of a Profession

In a recent article in *The Accountant* on 'Chartered accountancy as a profession', two definitions were given by Mr Peter Wright, Q.C., of Canada. The

The substance of a paper presented to the London Chapter of the Institute of Internal Auditors on May 6th, 1959.

first, 'a calling of experts qualified by training'. The second, 'a self-disciplined group of individuals who hold themselves out to the public as possessing a special skill, derived from training or education, and who are prepared to exercise that skill primarily in the interests of others'.

In The Institute of Internal Auditors, admission to

membership is based not upon examination but upon the work that a man is undertaking and the bulk of its members are persons who are employed by industrial concerns. The members have a common interest in that they are carrying out the same sort of work for their various employers and are seeking to improve their performance by the exchange of views and ideas, and by discussion.

They hold themselves out to their employers as possessing special skill, but by the terms of their employment they cannot hold themselves out to the public at large. Discipline is a matter of the individual's conscience and his other professional associations but it does not stem from rules laid down by the group - the Institute.

It seems to me, therefore, that the Institute does not fit within the broader definition of

a profession but I think there is no doubt that the limited definition, namely, that of a calling of experts qualified by training, is one which can properly apply.

The Institute of Internal Auditors in the United Kingdom

(a) Numerical strength

The London Chapter was formed just over eleven years ago and by early January 1958, shortly before its tenth anniversary, it had a membership of ninety-nine. Since then four Chapters have been formed in the provinces in the United Kingdom and by the end of March 1959, the United Kingdom membership had more than doubled and was standing at 217. In January 1958, the United Kingdom membership was 2½ per cent of the total membership of the Institute. In March 1959 it was more than 5 per cent of the total membership of the Institute.

But a substantial proportion of this increase has come from the same industries and the same organi-



Mr H. C. Booth

zations that were represented in the London Chapter in January 1958.

(b) *Industries represented*

The term 'internal audit' is used to describe work that is widely differing in its scope and application. On the one extreme, one has the internal audit staffs who spend part of their time on the verification of payments to creditors, before the payment actually takes place. I have met this sort of work in commerce and in local government and although it is described as 'internal auditing', we of the Institute regard it as, in fact, another step in the system of internal check. At the other extreme I have heard of an organization that employs a man who is described as the internal auditor but he is in fact the personal assistant to the managing director. He is given that title so that he has the necessary independence and authority to go into all departments to carry out investigations and report back to the managing director.

Now how far is our membership in the Institute representative of internal auditing in the United Kingdom? Most of the basic industries are represented, e.g.

- (a) Power – electricity, gas, coal and oil.
- (b) Transport – road, rail and air are covered, although we are only thin in membership in respect of the road and rail services.
- (c) Iron and steel – we are somewhat thin on the ground here also, but this may be partly due to the fact that Chapters are not conveniently situated to attract members from the industry although with the recent spread one would hope to see more of the companies in this industry represented.

Another major industry that has only part representation is the motor industry and it is interesting to note that the members of the London Chapter drawn from that industry are from companies with American connections.

Other industries represented are engineering (various branches), chemicals, oil refining, rubber, motor-cars and accessories, soap, foodstuffs, electronics, gramophones, wireless, paper manufacturing, shippers, railway equipment, fertilizers, furniture, and office equipment.

Conspicuous by their absence are internal auditors of government – central or local. There are exceptions in that one or two of the provincial Chapters have local government internal auditors as members. I have mentioned earlier that some local government internal auditing might properly be described as internal check but nevertheless other parts of that auditing are internal auditing as we know it. There is no doubt that local government auditors could make a substantial contribution to the activities of the Institute and to the common pool of knowledge that we are seeking to establish.

There is still a great potential field of recruitment to the Institute which remains to be tapped and an influx of members from this field will be all to the good in enabling us, because of the additional experience and views that are brought in, to take a wider view of our activities.

Scope

The *raison d'être* of an internal audit department is to satisfy a fundamental need of management.

The informal personal control such as that exercised by a proprietor in a small business becomes increasingly difficult as companies and undertakings grow in size and spread the field of their operations. The larger the business, and the more removed the proprietors are from day to day management details, the more important become the instruments of control and the more pressing becomes the need for controls to be reviewed and appraised regularly to see that they are functioning properly.

Just as the shareholders of a company require assurance from an independent source (their external auditors) as to the state of affairs of their company, so the directors or boards of management of large combines and national industries require an honest, incorruptible, impartial and skilled reviewing and appraising service to report on the effect of their policies and the operation of their controls and thus we have seen the creation and expansion of internal auditing.

So that these fundamental needs may be met, internal audit will be required to give to top level management certain assurances, namely, that the procedures that management has laid down are sound in themselves and that they are operating as planned. More specifically, assurances will be required from internal audit; that (a) assets are effectively safeguarded, (b) expenditure is properly authorized, (c) income is accounted for completely, (d) financial statements of account are accurately prepared, (e) systems of internal check are adequate and being followed; and internal audit will also be expected to be constructive in its approach to these duties by making recommendations for dealing with weaknesses disclosed and for improving efficiency.

A tribunal on a wages dispute said a few years ago to the nation something on these lines, 'Having willed the end, you must will the means'. So with internal audit. Management having seen the need, created the service and decided the coverage that it requires from that service will then assess the number of employees that it is prepared to allocate to the service and will appoint a head of the service.

Management will expect the head of the internal audit service to prepare a programme which will ensure adequate review of all the records and transactions that need to be reviewed to give them the assurances they require. Management will agree the programme in outline and will expect internal audit to complete it without fail. Should a situation

develop that will cause a short fall in the extent of completion of the programme of audit work, then management will expect to be informed early to see whether other arrangements should be made.

But management will not, without good reason, man internal audit departments in such a generous measure as to allow of a liberal staff being available to take on other assignments. The numerical adequacy of staff is a constant problem in internal audit, as the very nature of the work in a large organization reveals additional facets that the conscientious auditor knows must be brought under audit review and that cause him to redeploy his staff accordingly. He is generally in the position of having the power to increase his work burden without having the power to increase his staff.

There seems to be little or no restriction on internal audit's access to documents and records and generally internal audit is given a free hand to carry out such examinations and inquiries as it considers is necessary so that it can give the assurances to management that I have referred to. These examinations and inquiries will take internal audit into most departments whether the audit is a functional audit or an organizational audit and as a result, the internal auditor gains a good knowledge of the work of each department in the organization and the inter-relationship of the departments one with another and with the directing management.

The knowledge and experience that the auditor gains in this way, and the techniques that he develops can be used on work other than that which is necessary to ensure minimum coverage. But it can only be used if the necessary brief is obtained from higher management. Management must be prepared to foot the bill either by means of more staff being allocated or through a reduction in the routine work burden that is placed on internal audit.

The idea of widening the scope may come from management or it may come from the internal auditor pointing out a line of inquiry or investigation which he considers should be followed. The decision, however, rests with management. We often say that internal audit should train itself to think like management, and it seems that in considering whether to extend the scope, management would look first at the cost. This will be capable of precise evaluation in the case of additional staff but not so precise if extension is provided by allowing us to curtail our normal work.

Management would then look at the return it would get from the increased cost and would consider whether the end product would be (a) an increase in the income of the undertaking, (b) a reduction in the expenditure of the undertaking, or (c) maintenance of the level of operations as opposed to an expected fall in the level of operations.

But would management consider the money well spent if the return were only either an increase in protection or a confirmation that the other pro-

cedures brought under review were, in fact, satisfactory? We hope that they would.

Responsibility

So far we have looked at the question of the scope of our work without considering the line of responsibility. It is generally accepted that internal audit needs the independence that stems from a line of responsibility to the highest level of management, and although in the Statement of Responsibilities the Institute says that internal audit's objective is to assist all levels of management, generally speaking it is with the highest level that internal audit is concerned.

We pride ourselves on taking an objective view of each situation and I believe that the service to the top management should be constantly in our minds as the goal to which all our efforts are directed. This is not to say that service is not given to other levels of management. It is, but in fact it is so given as a by-product of our service to top level management. Thus the status of the official to whom the head of the audit service is responsible has a major influence on what we do and the extent to which our horizons can be widened.

Generally, because of the traditional conception of internal audit and its links with external audit and finance, the head of the internal audit service is responsible to a senior official of the finance department. It is often argued that to extend the scope of internal audit would require the head of the service to be responsible to an official concerned with general management, as opposed to one with a departmental responsibility.

So far as the scope of our work is concerned and the opportunity to go into other fields, I think that it does not matter what title the official to whom we are responsible bears. The deciding factor is not his title but his status and position in the organization and his approach to his own particular job. If the finance official to whom the internal auditor is responsible is playing a major part in management, i.e. if he is the type of official who can be described as a controller, who is active in the general management field and takes part in the formulation of plans and in making policy decisions, and has both the power and ability to criticize constructively the work of other departments within the organization, then the internal auditor benefits in two ways because the controller (a) has an intimate knowledge of the financial and accounting controls that are brought under audit review and in respect of which he has overall responsibility, and (b) has wide interests in the general management field, in which he may encourage audit operations.

On the other hand, if the official to whom internal audit is responsible is limited in his scope and in his outlook, he will have little or no influence on other departments and internal audit may find itself denied access and receiving only grudging co-operation.

When the stage has been reached where the

widening of the scope of internal audit is accepted as desirable by higher management, a situation may arise that lower management is not receptive.

The installation of a new technique such as method study or standard costing may be sold with an almost evangelical fervour because it is new. But the increasing of the scope of internal audit may be regarded as 'empire building' since auditing is not new. Auditors of one sort or another have always been at work in and around the organization, and when the line of responsibility goes to the top, the auditor may be viewed as a headquarters man. We have all heard the description 'infernal auditor' or 'Gestapo' used, generally humorously but with an underlying current of feeling. If lower management object to widening the scope of internal audit, how far will top level management be prepared to go to enforce their views?

The problem here is one of relationship and co-operation with the lower levels of management. It is always with us and it emphasizes the need for the auditor to become so established that he is accepted as a person of integrity, completely objective in his outlook.

One further point which will need to be dealt with is the problem of communication. If internal audit is to be the 'eyes and ears of management', if it is to work in wider fields than has been the case in the past, then it must be kept informed as to the objective of the undertaking, the policy that is being followed to achieve this objective and any changes that take place from time to time. This will increase the volume of documents that have to be examined and digested by the head of internal audit and will cause careful consideration of how much or how little need be distributed to audit staffs. A balance has to be preserved between effective work and time spent on the studying of documents.

Reporting

Generally the routine audit of a unit is followed by the circulation of a report with recommendations addressed to local management for action. Copies of reports either in full, or in summary or digested form will usually go to the higher levels. It is common ground that to ensure fully the effectiveness of internal audit, points raised by the internal auditor which require attention should be followed up by management to see that they are considered and dealt with. The most effective follow-up is that undertaken by line management and this is the method which is generally adopted.

But what circulation is to be given to reports on the examination of situations outside the routine programme of internal audit? So far as those commissioned by the top level are concerned, undoubtedly copies will go to the top level and to preserve relationships both of management with management and internal audit with management, only in the most exceptional cases should circulation

not include the local management official who is responsible for the unit or units concerned.

Where additional inquiries are commissioned by local management, however, the situation is completely different and it may be that if circulation of reports were restricted, more demands would be placed by far-thinking local management teams on internal audit. But the fear that any deficiencies would automatically be brought to the notice of higher management could deter local management from asking for inquiries to be made in certain cases. For example, the inquiries may reveal situations in existence which should have been recognized and dealt with by local management, and if these came to the notice of top management they might reflect on the controls and performance of the respective departmental heads.

On the other hand, it could be argued that the commissioning of an inquiry by local management demonstrated that local management recognized the need and required an independent appraisal to enable it to decide what action should be taken to remedy the situation. But it needs a big man to take this view. The reluctance of local management in these circumstances may be overcome if it were agreed that the onward transmission of the report should be delayed until the management official who had commissioned the work had considered the report, decided on the line of action and had taken the appropriate steps.

This problem is, to my mind, one which can only partly be solved by the establishment of good personal relationships. In the main its solution depends upon the outlook of management both local and top level. It should not be dealt with by the suppression of the onward transmission of reports up the chain.

Effect on External Auditors

There is no doubt that the existence of a well-organized, competent, efficient and independent internal audit department has a material effect on the approach of the external auditors to the duties laid upon them by the statutes under which they are appointed.

There is a large measure of common ground between internal and external audit, as both are concerned with the validity and integrity of the periodical accounts produced and both are concerned to reveal transactions that may not have reached the books of account. The result has generally been that the external auditors have reduced their work of detailed checking and in consequence there will have been a reduction in the fee which they charge for their services.

Co-operation between the external and internal auditors can only take place if management permits, and whilst the day-to-day work and examination of interim accounts is generally regarded as work properly falling within the scope of internal audit, the year-end verification of balance sheets is the

prime responsibility of the external auditor. If internal audit is to aid external audit in the verification of the balance sheet, therefore, that work can generally only be undertaken with the specific permission of management.

To take cognisance of internal audit and thereby bring about a reduction in the fee, the external auditor will expect internal auditors to display and apply a professional approach to financial and accounting controls, will expect to be consulted on the internal programme of work and to have access to all internal audit reports and working papers.

Generally speaking, if internal audit is of such a calibre that management will consider widening its scope, then it will satisfy the essential requirements that the external auditor will have in mind in reducing the extent of his review. An extension of internal audit operations into other fields which causes a reduction of our coverage on routine work might therefore lead to a decision on the part of the external auditors that they require to increase their coverage to fill the gap created and thus lead to a request for an increased fee. On the other hand, they may accept a reduction of internal audit coverage and an extension of work into other fields as evidence of a well-organized and controlled undertaking. It is a question of negotiation and discussion and in the ultimate, the decision rests with the professional conscience of the external auditor.

Staff

I said earlier that our organizations, generally speaking, would only provide us with sufficient staff to meet the burden that will fall on us in respect of the programme of work that they have laid down. If management does consider that internal audit can help in other directions, there would either have to be a reduced coverage elsewhere or additional staff. I mentioned also the problem of communications to the staff of broader matters of policy.

The first requirement of the staff is that they should be well versed in audit techniques and capable of undertaking a review and appraisal of financial and accounting controls and this presupposes a good knowledge of accounting principles and their application.

It is inevitable, therefore, that they will initially be viewing problems from the accounting point of view and not all would have the capacity to absorb and undertake the additional work. Conventionalism or lack of knowledge would limit the scope of operations which could be examined. They would have to be sympathetic to the new approach and whether they would come from the organization itself or come from outside is a matter which would have to be carefully considered.

It is probable that as the work widened in its scope, they would come forward with requests for additional remuneration because they would have to acquire increasing technical knowledge of their

industry to carry out the new duties to their full extent. This knowledge would be needed over and above the objective and logical approach from an independent viewpoint that is expected of them in their normal day-to-day work.

Relations with Other Specialists

No organization will be prepared to pay twice for the same job. Whilst we are undertaking the work that has been properly regarded as ours, over the years, the question of duplication does not arise. But in widening our horizons, we will be looking to extending audit work into the operational field and here we come up against other specialized services that have been developing apace, side by side with our own development. So far as office methods and administration are concerned, we have organization and methods departments set up to enable those responsible to achieve an efficient organization and to see that they are adequately staffed for the work they have to do and no more.

In relation to industrial operations, we have methods study teams that examine each step in an industrial process with a view to reducing the methods to the easiest, simplest and most economical methods that can be operated. And in both fields, and the field of standard costing, we have firms of business consultants who can be called in where the need shows itself.

It seems that there will have to be a clear demarcation so that there is no duplication of effort of service departments such as these, and internal audit, and it may be that this end will have been served if internal audit, having revealed a situation that calls for action, recommends that one or other of these other service activities be called in to make a detailed review.

Conclusions

These seem to me to be some of the practical considerations that have to be dealt with in evolving a wider sphere of internal audit operations. Largely it is a question of what is possible and there have been many remarkable changes in the post-war world in our estimations of what is possible.

For many years, the four-minute mile was the ultimate goal of middle distance runners. They thought that that was perfection, and the barrier in the way of its achievement was mental rather than physical. Then Bannister broke the barrier and others followed, for what one man can do others can copy, and in copying can do even better, as witness the efforts of Elliott stimulated by the achievements of others and by the Melbourne Olympic Games.

If we can convert one management official to the wider use of internal audit, then the trickle of demands over and above our normal programme can become a flow, for the ultimate horizons of internal audit are as wide as the management of the organization wishes to make them.

Weekly Notes

Irish Institute's Bye-law Changes . . .

AS will be observed from the report on another page of a special general meeting of The Institute of Chartered Accountants in Ireland held at Belfast on December 16th, two important amendments to the bye-laws have been ratified. The more far-reaching of the two is the decision to replace the present Intermediate and Final examinations, each of which has to be taken in its entirety, by five annual examinations spaced out over the ordinary period of articles. The advantages of such a distribution are, as the President, Mr D. McC. Watson, F.C.A., pointed out, that the scope of the papers may thus be widened and that periods of intensive cramming may be eliminated or, at least, minimized. The alteration follows upon a recommendation made to the Council by the Education Committee set up in 1956.

The second amendment of consequence is the inauguration of a registration fee of twenty guineas which each clerk will have to pay to the Institute when he becomes articulated. For the duration of his articles, the Institute will pay the clerk's annual subscription to his local student society and with the balance will be able, it is hoped, to build up a fund for the furtherance of professional education. These changes, together with a number of minor modifications approved at the same meeting, should make for a greater degree of flexibility in the Institute's constitution.

. . . and November Examinations

AT the examinations of the Irish Institute, held in November 1959, a total of 199 candidates sat of whom 87 (44 per cent) were successful and 112 (56 per cent) failed to satisfy the examiners.

There were 71 candidates for the Final examination of whom 29 (41 per cent) passed and 42 (59 per cent) failed; in the previous examination held in May 1959, 33 (46 per cent) were successful. The first place with honours, Institute Gold Medal and Arthur H. Muir Memorial Prize were won by Miss Ruth Lawlor, of Belfast. Miss Lawlor is the first woman to win a gold medal for top place in the Final and is the first Northern Ireland entrant to do so for twenty-four years. Mr William Hartford Scott, of Armagh, gained second place with honours, and the third place was won by Mr Flannan Joseph Quirke, of Dublin.

In the Intermediate examination, there were 107 candidates of whom 53 (49.5 per cent) passed and 54 failed; in May 1959, 42 (37 per cent)

were successful. The first place and the John Mackie Memorial Prize were won by Mr David Thomas Hall, of Portadown; Mr Alexander Kingsmill Burns, of Enniscorthy, gained second place, and Mr David Alexander Kennan McCabe, of Dublin, was third.

A total of 21 candidates sat for the Preliminary examination of whom 5 passed and 16 failed. The full list of successful candidates, together with a summary of the results, appears elsewhere in this issue.

Report on Friendly Societies

PART 1 of the report of the Chief Registrar of Friendly Societies for 1958¹, which deals with general matters, was published last week. The issue of this part completes the Chief Registrar's report to Parliament for the year 1958. The four other parts of the report already published dealt respectively with friendly societies, industrial and provident societies, trade unions and building societies.

A statistical summary included in Part 1 shows that although there was a further slight fall in the number of bodies registered or rendering returns – from 22,785 to 22,571 – largely as a result of amalgamation with or transfers to other societies, and also a small decline in the total membership – from 154,971,000 to 154,961,000 – there was, however, a further rise in the total funds. These, which represent broadly the combined savings of the members of the bodies concerned, rose by £314 million to £5,220 million. Building societies accounted for £198 million of the increase.

The report shows that 2,346 qualified accountants holding general appointments as approved auditors under the Industrial and Provident Societies Acts and the Friendly Societies Acts conducted the audits of the accounts of some 12,450 societies during the year. Also included in the report are statistics of the 423 superannuation funds registered under the Superannuation and other Trust Funds (Valuation) Act, 1927, which had total funds amounting to £402 million, together with written decisions on selected disputes of general interest.

Scientific and Engineering Man-power

FOR readers who may be interested in the industrial employment of qualified scientists and engineers – if only from the point of view of the attraction of those professions with which the accountancy profession has to compete for recruits – the appendices to the White Paper, *Scientific and Engineering Man-power in Great Britain, 1959* (Cmd. 902), provide a wealth of statistical information.

The report itself is the second of its kind; the first was issued three years ago. Its purpose is to set out the results of a recent inquiry into the current employment, vacancies, and expected future employment of qualified scientists and engineers, to compare the present position with that obtaining in the first

¹ H.M.S.O., price 3s net.

report, and to consider the expected requirements for qualified personnel in 1962, alongside the anticipated supply at that date.

In the concluding section of the report it is stated that at the beginning of 1959 the number of scientists and engineers employed in Great Britain was about 173,000; an increase of nearly one-fifth on the number employed three years earlier. In manufacturing industry the increase was 30 per cent, bringing up the percentage of qualified scientists and engineers from 8 per 1,000 to 11 per 1,000. According to employers' statement, there were immediate vacancies for about 9 per cent more scientists and engineers. If employers had been able to fill these vacancies, the number employed would have approximated the total they had forecast as their 1959

requirements three years ago. They are now saying that by 1962 they will require a total increase of 22 per cent, including those required to fill immediate vacancies. For manufacturing industry the required increase amounts to 27 per cent.

Supply forecasts indicate that the number of such qualified personnel will increase from 14,600 in 1958 to 18,500 in 1961 and that some 47,500 newly-qualified people will become available for employment in Great Britain during the next three years. Even so, when allowance is made for the replacement of wastage, the numbers coming forward over the next three years are still likely to fall short of employers' own estimates of their needs. In particular, the shortage of mathematicians, physicists and chemists is likely to continue.

This is My Life . . .

by An Industrious Accountant

CHAPTER 5

I LEARNED a lot about people last week. We have a small shirt factory that does a nice little specialized trade and our agent for the north-west district has his own ideas about modern sports styles. Some weeks ago he persuaded the factory manager to make up to him designs. So we produced some sights – and colour schemes – that 'never were on sea or land', as the poet says. But apparently the younger generation went for them in a big way; he landed unprecedented orders and our other travellers call them the best bag-openers in years.

So the board had the agent down for a conference, followed by a new commission agreement and a directors' dinner. The tempo was beyond all my experience. The agent drank alcohol as if it were water and displayed a unique repertoire of limericks. The factory manager said nothing but his smile widened with every glass, and the directors were as imperturbable as ever. Except Prinny, of course. He got noisy early.

I kept going by pushing gins behind a calendar, but found concentration a strain when we resumed the meeting over our branlies.

Increased production, marginal costings ('the secretary to prepare a financial forecast'); quotas, Japanese rayons, quantity discounts ('draft a memo, Mr Secretary'); . . . conversation was general and the technicalities rather beyond me . . . my eyes felt very tired. . . .

* * * * *

I came to suddenly, quietly. I must have dozed for a minute. Or for ten minutes? Unnoticed? Talk was going on as before, still guided by Jeffrey F., as

impassive and incisive as ever. I glanced down at my minutes, and then for the first time I understood that ill-omened old phrase, 'his blood ran cold'. Mine froze. I couldn't read my last paragraph.

Was that jumble 100,000 or 60,000? Yards or pounds sterling? What did 'except C. and R.' mean? I stared numbly and wondered if the Foreign Legion was accepting candidates.

Suddenly Jeffrey F. spoke across the table. 'I'm not sure that I have my amendment in the final form, Mr Secretary. Be so good as to check my draft.' His clear blue-black manuscript fluttered across to me, his glance was inscrutable. I finished the evening clear-headed and successful, my morale restored.

I remember the story of Napoleon standing guard for the sleeping sentry. But neither Jeffrey F., nor anyone else, has said anything, so who knows?

* * * * *

We left the hotel in the small hours, emerging as a rugby dance was finishing. I noticed among the revellers our junior cashier, a cheerful fifteen-stoner, doing the can-can on the steps with a shapely red-head, and in hilarious form. Next morning, however, no junior cashier. Instead, a telephone message – sudden dose of the flu.

The office manager, a ruthless type, offered to cope with the problem. He sent the junior cashier a message that his cash float was £100 short, and that hapless youth arrived precipitately at midday, haggard-eyed but healthy, to be told blandly that the shortage had been satisfactorily traced. Conscious of janglings behind the eyeballs, I took a sadistic joy in this example of local technique.

I felt guilty later on – must ensure that gin does not replace the milk of human kindness in the bloodstream.

My New Year Resolution, replacing the ancient one about reducing my nicotine consumption: 'Do unto others. . . .'

After all, the bell might easily have tolled for me that night.

Finance and Commerce

Bank Accounts

THIS week's reprint gives the first accounts of the National Commercial Bank of Scotland Ltd, following the amalgamation this year of Scotland's 'Commercial' and 'National' banks. Bank accounts are outside normal audit experience and a reprint now and again in this column provides the useful practical example to assist the theory, especially for those whose life at the moment revolves round a pile of textbooks.

The scheme of arrangement and amalgamation became operative on September 16th, a few weeks before the accounting date. More capital is now being raised in the form of an issue by way of rights of 5,583,333 10s Ordinary shares at 25s each, in the proportion of one for every two held on December 1st. The board expect to recommend 15 per cent on the enlarged Ordinary capital for the year to October 29th, 1960.

Mr Ian Wilson Macdonald, C.A., the chairman, explains that the Bank's ordinary business continues to expand as does its considerable and widespread interest in the hire-purchase field. In the circumstances, the directors feel that the issued capital and the published reserves should be substantially increased.

Realistic Appraisal

IN time of inflation, 'at cost', especially in reference to property, is a vague term. It can be given more substance with a date of purchase, but even that in very many cases can only be a second-best.

Mr J. G. Lawson, chairman of Spark Holdings Ltd, points out that group capital and reserve now total £178,923 which, he says, is equivalent to 3s 7d per 1s Ordinary share but with this qualification: that freehold properties have been 'substantially written down'. He promises a revaluation in the near future 'so as to provide shareholders with an up-to-date and realistic appraisal of the position'.

Circumstances are constantly arising where shareholders in companies need a 'realistic appraisal'. More generally, income value rather than asset value is the governing factor in fixing market values and earnings cover is an equally potent influence. In this case, planned expansion, says Mr Lawson, still requires the retention of a fairly high proportion of earnings, for which reason the dividend is again being restricted to 25 per cent, even though net earnings were of the order of 80 per cent.

Incidentally, more indication might be given in the report of the company's activities. One interest is 'Swedish Turnery & Plywood' but there may be more to the business than that.

Tax Equalization

STOCKHOLDERS will notice, says Mr John P. Hunt, chairman of Staveley Coal & Iron Co Ltd, that in the consolidated balance sheet the taxation equalization account has been considerably augmented by a transfer of £839,000 from revenue reserves.

Due mainly to the revaluation of fixed assets in earlier years, he explains, and to the difference between depreciation charged in the accounts and taxation capital allowances, the book value of the plant and industrial buildings exceeds their written-down value for taxation purposes. This excess, when written off as depreciation over the remaining life of these assets, will not receive corresponding taxation relief.

The purpose of the taxation equalization account, Mr Hunt continues, is to set aside the amount of taxation involved as nearly as can be ascertained so that in future years the charge for taxation in the profit and loss account will be related more closely to the profits earned in each year. The amount required had to some extent been provided in past years and was included with future United Kingdom taxation.

'The accountancy procedure now adopted is comprehensive', says Mr Hunt, 'and covers recommendations on the subject published by The Institute of Chartered Accountants in October 1958.'

Words without Figures

WHAT a gulf there is between the interim reports recently reprinted in this column (December 12th issue) and that issued by London Rubber Co Ltd. It is worth setting down as an example of the near futility of words without figures.

'I am pleased to report', says Mr Elkan M. Jackson, the chairman, 'that the progress of the group continues.'

'Sales of the parent company, London Rubber Co Ltd, by both volume and value, were appreciably higher than for the similar period of last year, and also break all comparable records.'

'Costs generally continue to increase, but the effects have been mitigated by the larger sales volume referred to, and, of course, we constantly strive for more efficiency.'

'In relation to that of the parent company, the operations of the subsidiary companies are limited. They are, nevertheless, satisfactory and there is steady progress.'

'Group net earnings were in excess of those for the six months ended September 30th, 1958, in themselves a record, and expectations are that in the absence of the unforeseen and of circumstances

beyond our control, profits for the current year ending March 31st, 1966, will compare favourably with those for last year.

"The board of directors, at a meeting held on November 24th, 1959, declared an interim dividend of 10 per cent less income tax on the Ordinary shares of the company. This dividend will be payable on February 19th, 1960, to members on the register at 3 p.m. on January 22nd, 1960."

Just how much wiser are we after that? It is evident that the company is doing well, although it might be observed that profits could compare favourably even though lower. The figures obviously must be available. Why not give them?

Leather Stocks

SHAREHOLDERS in Allied Leather Industries Ltd are advised by their chairman, Mr H. G. Barlow, to consider the accounts for the year to June 30th, 1959, in conjunction with those for 1957-58 and the accounts for 1959-60 when they become available. It is, of course, a truism that one year's accounts do not stand by themselves but in the context of a series of years. This, in fact, was

one of the points made in the famous *Royal Mail* case that now seems so long ago. .

Allied Leather's situation has been complicated by wide movements in leather prices, and Mr Barlow points out that the abnormally high profit disclosed by these accounts (£165,609 against £51,546) is largely due to the fact that when the opening stock was taken in June 1958, hide prices had reached a very low level, and it was necessary to write down stocks in accordance with replacement costs at the time.

Hides, however, recovered their value slowly during the first eight months of the year; stock losses were recovered in that period, and in the last four months of the trading year prices rose suddenly to the highest they have reached since the Korean War.

Fortunately, says Mr Barlow, peak prices were not maintained as, in common with most tanners of sole leather, they were finding it impossible to obtain sufficiently high prices for leather to recover costs. Undoubtedly, he says, some of the past trading year's profit will be required to cover this difference.

NATIONAL COMMERCIAL BANK OF SCOTLAND LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st October 1959

1958 (adjusted)			
	Balances brought forward—		
£118,402	The Commercial Bank of Scotland Limited at 25th October 1958		£124,971
135,643	The National Bank of Scotland Limited at 1st November 1958		128,070
			<u>£253,041</u>
	Net Profit for the year—comprising the profits of The Commercial Bank of Scotland Limited and The National Bank of Scotland Limited to 15th September 1959 and of the combined Bank thereafter—after providing for Taxation and for transfers to Contingency Accounts out of which full provision has been made for diminution in the value of Assets		1,194,504
880,140			<u>£1,447,545</u>
	Less—		
250,000	Contingency Account		£250,000
200,000	Officers' Pension Fund		200,000
10,000	Widows' and Orphans' Fund		10,000
			<u>460,000</u>
			<u>£987,545</u>
	Dividends paid 1st July 1959 less Income Tax—		
	The Commercial Bank of Scotland Limited		
	"A" Shares at 6 per cent actual		£128,625
	"B" Shares at 5 per cent actual		15,313
	The National Bank of Scotland Limited		
	Consolidated Capital Stock at 6 per cent actual		73,500
	"A" Stock at 2½ per cent actual		6,125
			<u>£223,563</u>
	Proposed Dividends payable 15th January 1960 less Income Tax—		
	Ordinary Shares at 5 per cent actual		£478,771
	10 per cent Cumulative Preference Shares at 5 per cent actual		15,312
	5 per cent Cumulative Preference Shares at 2½ per cent actual		6,125
			<u>500,208</u>
424,062	Balance carried forward		<u>723,771</u>
			<u>£263,774</u>

REPORT OF THE AUDITORS

EDINBURGH, 26th November 1959.—We have examined the books of account of National Commercial Bank of Scotland Limited and the returns from the branches for the year ended 31st October 1959, and have obtained all the information and explanations which we considered necessary. In our opinion proper books have been kept and adequate returns have been received from the branches. The Accounts are in agreement with the books.

11. The Accounts are in agreement with the above statement of the findings of the foregoing Balance Sheet and Loss Account, together with the notes thereto, give the information required of a banking company by the Companies Act, 1948, and on the basis authorised by that Act give a true and fair view of the state of affairs as at 1st October 1959, and of the profit for the year ended on that date ascertained in the manner indicated.

R. J. HENDERSON, C.A.
R. S. HUNTER, C.A.

J. H. A. C. CRAWFORD, C.A.
WILLIAM L. DAVIDSON, C.A.

NATIONAL COMMERCIAL BANK OF SCOTLAND LIMITED

BALANCE SHEET as at 31st October 1959

LIABILITIES		ASSETS	
1958 (adjusted)	Issued and fully paid	1958 (adjusted)	
CAPITAL:	Authorized		
11,166,667 Ordinary Shares of 10/- each	£5,583,333 10	Coin, Bank of England Notes, Notes of other Banks and Balance with the Bank of England	£40,075,085
500,000 10% Cumulative Preference Shares of £1 each	500,000	Balances with other Banks in Great Britain and Ireland and cheques in course of collection	33,140,455
400,000 5% Cumulative Preference Shares of £1 each	400,000	Money at Call and Short Notice in London	27,025,000
2,033,333 Unissued and Unclassified Shares of 10/- each	1,016,666 10	British Government Treasury Bills	10,000,000
	(see Note 3) £7,500,000		£110,240,540
£6,400,000	£6,483,333		
RESERVE FUNDS:		Investments (other than Trade Investments):	
Capital Reserves—		Securities of the British Government (see Note 4)	£68,410,658
Share Premium	£830,000	Other Investments { quoted (see Note 5) 190,695 unquoted 850,000	69,451,353
General (see Note 2)	£2,330,000		
Revenue Reserve	£4,570,000	Bills Discounted	£272,867
Profit and Loss Account	£263,774	Loans, Advances and other Accounts, after deducting provision for Bad and Doubtful Debts	96,004,680
	£13,647,107		96,277,547
Notes in Circulation	£37,205,879		£275,969,440
Current, Deposit and other Accounts including Contingency Accounts	236,192,375	Trade Investments at or under cost	6,107,334
Proposed Dividends payable 15th January 1960, less Income Tax	500,208	Bank Premises and other Property at or under cost (see Note 2)	5,468,795
	273,898,462		£287,545,569
	£287,545,569		

NOTES

- Under a Scheme of Arrangement and Amalgamation, The Commercial Bank of Scotland Limited and The National Bank of Scotland Limited amalgamated on 16th September 1959 as National Commercial Bank of Scotland Limited. The figures for the previous year shown in these Accounts are a combination of the figures of the two Banks.
- The book value of the Bank Premises and other Property has been written up by £1,500,000, which has been credited to Capital Reserve, General. The value at which the Properties now appear in the Balance Sheet is under the original cost and less than the valuation made for the purposes of the amalgamation.
- The excess of the nominal value of the ordinary shares of National Commercial Bank of Scotland Limited over the nominal value of Consolidated Capital Stock to The National Bank of Scotland Limited for which they were exchanged was £83,333 10s, which has been written off to Contingency Account.
- Investments in British Government Securities amounting to £68,410,658 which are all redeemable at fixed dates, the majority within 10 years, are taken at or under cost and below redemption price. The market value of these investments at 31st October 1959 was greater than the Balance Sheet figure.
- Other Investments: the market value of the quoted investments at 31st October 1959 was greater than the Balance Sheet figure.
- Foreign Currencies have been converted at rates of exchange ruling at 31st October 1959.
- There is a contingent liability for Acceptances, Endorsements, Guarantees and other Engagements entered into on behalf of Customers amounting to £9,542,396 (1958 £9,064,608), covered by obligations of Customers.
- Contracts for outstanding Capital Expenditure amount approximately to £168,000.
- The aggregate amount paid in respect of Directors' Fees was £31,030. Other emoluments to Directors with executive duties were £23,833. Payments to Directors retiring at the time of the amalgamation were £7,500.

IAN W. MACDONALD
WILFRID AYRE
DOUGLAS MURE WOOD

Directors

DAVID ALEXANDER, General Manager

THE
ACCOUNTANT
CITY NOTES

THE old year went out with the stock-market's confidence undiminished. Yields of 3 per cent and under on a very wide range of industrial equities still do not deter the investor from further equity investment.

In fact one of the most striking features of the stock-market year has been the final stages of the 'yield' revolution. The yield gap between Old Consols and equities was not only closed, but a wide reverse gap has been opened.

The new investor uses his funds for capital growth rather than investment return and is fully prepared both to invest in equities on a 3 per cent yield basis and to shun the 'attractions' of a 5 or even 5½ per cent return on gilt-edged. He has been convinced of the wisdom of this course by the broad assumption that a 4 per cent Bank rate has now to be recognized as a cheap money rate. Credit is now virtually completely free and it is easier to foresee conditions requiring a higher rate than it is to foresee circumstances requiring the boost of a lower one.

There is no immediate ground for gainsaying this investment theory and the investor who has pinned his faith in equities this past year, seems likely to see his confidence still further rewarded. Reports from a wide range of industrial companies continue to be encouraging.

The heavy industries are now joining in the general industrial re-expansion and there is already a marked investment accent on this section of the market. It may be difficult to foresee any marked further appreciation in prices but it is equally difficult to foresee any major setback while the present mood of confidence persists.

RATES AND PRICES

Closing prices, Wednesday, December 30th, 1959

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Oct. 23	£3 8s 6·74d%	Nov. 27	£3 7s 11·95d%
Oct. 30	£3 7s 8·53d%	Dec. 4	£3 10s 7·23d%
Nov. 6	£3 7s 4·62d%	Dec. 11	£3 11s 6·91d%
Nov. 13	£3 7s 9·55d%	Dec. 18	£3 12s 10·50d%
Nov. 20	£3 7s 11·96d%	Dec. 24	£3 13s 8·82d%

Money Rates

Day to day	2½-3½%	Bank Bills	
7 days	3-3½%	2 months	3½-3¾%
<i>Fine Trade Bills</i>		3 months	3½-3¾%
3 months	4½-5%	4 months	3½-3¾%
4 months	4½-5%	6 months	3½-3¾%
6 months	4½-5%		

Foreign Exchanges

New York	2·79½-80	Frankfurt	11·67½-1
Montreal	2·66½-8	Milan	1737½-1
Amsterdam	10·55½-1	Oslo	20·00-1
Brussels	139·86½-1	Paris	13·74½-1
Copenhagen	19·31½-1	Zürich	12·10½-1

Gilt-edged

Consols 2½%	49½xd	Funding 4% 60-90	93½
Consols 4%	72½	Savings 2½% 64-67	84½
War Loan 3½%	65	Savings 3% 55-65	91½
Conversion 3½%	65½	Savings 3% 60-70	82½
Conversion 3½% 1969	89½	Savings 3% 65-75	76½
Exchequer 5½% 1966	104½	Treasury 2½%	48½
Funding 3% 66-68	84½	Treasury 3½% 77-80	78½
Funding 3% 59-69	84½	Treasury 3½% 79-81	78½
Funding 3½% 99-04	71½xd	Victory 4%	96½

Current Law

Safety: Extent of Employer's Duty

IN *Qualcast (Wolverhampton) Ltd v. Haynes* ([1959] 2 All E.R. 38) the House of Lords (Lord Cohen dissenting) reversed the decision of the Court of Appeal, reported *sub nom. Haynes v. Qualcast (Wolverhampton) Ltd* ([1958] 1 All E.R. 441) affirming the decision of the judge of the Wolverhampton County Court.

The respondent, an experienced moulder, had been injured by molten metal which had splashed from a ladle he was carrying on to his foot. Protective

footwear was available in the foundry and its existence had been drawn to his attention by a notice, but he had failed to make use of it. The County Court judge treated the law as compelling him to attribute a breach of duty to the employer because the employer had not urged or instructed the employee to wear protective footwear. The judge said that had he not considered himself bound he would have found that there was no negligence on the part of the employer.

The House of Lords held that in taking the view of the law which he did, the County Court judge was mistaken: since, on the facts, the employer was not negligent in failing to urge an experienced workman to use protective clothing, the appeal should be allowed. Their lordships emphasized that in actions for negligence concerned with the duty of care owed by an employer to his workmen the question whether or not there had been a breach of that duty

depended upon the facts of the individual case. As Lord Radcliffe said: 'An experienced workman dealing with a familiar and obvious risk may not reasonably need the same attention or the same precautions as an inexperienced man who is likely to be more receptive of advice or admonition.'

Destination of Surplus Income

THE testator in *Re Wragg, Hollingsworth and Another v. Wragg and Others* ([1959] 2 All E.R. 717) directed his trustees to hold his residuary estate '(c) Upon trust to pay my wife during her life a weekly payment of such sum as after deduction of income tax will leave in the hands of my said wife the clear weekly sum of three pounds ten shillings my trustees being empowered to resort to both capital and income to pay the said weekly sum. (d) Upon trust to pay to my brother . . . during his life a weekly payment of such sum as after deduction of income tax will leave in the hands of my brother the clear weekly sum of ten shillings my trustees being empowered to resort to both capital and income to pay the said weekly sum. (e) After the death of my wife and after setting aside a sufficient part of my estate to pay the said weekly payment of ten shillings to my brother . . . during his life upon trust to divide my residuary estate into seven equal parts' and to hold those parts on trust for seven named persons.

After provision had been made for payment of the annuities to the testator's widow and brother there was surplus income of the residuary estate and the question arose, therefore, what was its destination. For the residuary legatees it was argued that the words 'after the death of my wife' meant no more than 'subject to my wife's interest', that is to say, subject to her weekly sum of three pounds ten shillings tax free, and that accordingly they were entitled to the surplus.

The Court of Appeal, however, not only could not find any sufficient reason why the words 'after the death of my wife' should not be given their ordinary and natural meaning, but also found it impossible to make the substitution suggested because the words 'and after setting aside a sufficient part of my estate to pay the said weekly payment of ten shillings to my brother' constituted a clear direction to set aside on the death of the testator's widow and not before and the substitution would leave in the air and undefined the point of time for setting aside. It followed that the surplus was undisposed of and under the intestacy rules passed to the widow.

Witness Benefiting under Will

IN *Re Royce's Will Trusts, Tildesley v. Tildesley and Others* ([1959] 3 All E.R. 278), the Court of Appeal reversed the decision of Wynn-Parry, J. ([1958] 3 All E.R. 586), who had held that a witness to a will who, after the testator's death, was appointed as a trustee of it by the then trustees, was debarred by

Section 15 of the Wills Act, 1837, from receiving benefits given to the executors and trustees by the will. These were contained in two clauses: the first gave the trustees 5 per cent of the income of the trust fund constituted by the will as remuneration for their general services as trustees, while the second empowered a solicitor-trustee to charge for his services. The Court of Appeal held that in considering whether a beneficiary was deprived of his benefit by Section 15 it was proper to look at the time of attestation, or, possibly, the time when, on the testator's death, the will came into operation (since, strictly, no benefit is given by the will until the testator dies). At neither point in time could it be said that the witness in the instant case received any benefit under the will. His interest arose subsequently by a *novus actus interveniens*, namely, his appointment by the then trustees to be a trustee of the will, and not by virtue of any expression used by the testator. It was argued that, even if Section 15 did not apply, the benefits under the two clauses in question in the will could not both be claimed, and that the general rule in favour of cumulative gifts did not apply where the gifts were in favour of an executor for a specific purpose. But the Court of Appeal did not agree that there was duplication of gifts. The benefits were different in nature, and the services remunerated were not the same, being in one case the general services of trustees and in the other the services rendered by a solicitor in the course of his professional work.

Rights of Second Mortgagee

C. bought a house from B. for £2,250. He obtained a loan of £1,800 from the local authority by means of a loan under the Small Dwellings Acquisition Acts, 1899 to 1923, as amended, and B. lent him the balance of £450 on the security of a second charge. C. defaulted under the first charge, and the local authority, after an abortive attempt to sell the property by auction under Section 6 (1) of the Act of 1899, went into possession under Section 6 (2) and sold it with vacant possession. The sale price exceeded the amount due to the local authority under its mortgage, but it refused to account to B., the second mortgagee, for the surplus.

In *Re Caunter's Charge; Bishop v. Southgate Corporation* ([1959] 3 All E.R. 669), Danckwerts, J., held that B. was not deprived by the Act of 1899 of the ordinary rights of a second mortgagee to repayment of the money secured by the second charge, and that the defendant corporation was accountable to her accordingly after satisfying the amount due to itself out of the proceeds of sale of the property. His lordship distinguished the position of the plaintiff from that of a 'proprietor' who, by virtue of Section 6 (2), is deprived of any interest in the surplus of any proceeds of sale, and distinguished the case before him from *Re Brown's Mortgage; Wallasey Corporation v. Attorney-General* ([1945] Ch. 166; [1945] 1 All E.R. 397), which was decided on that basis.

When a Car is No Longer New

THE plaintiff company in *Morris Motors Ltd v. Lilley (trading as G. & L. Motors)* ([1959] 3 All E.R. 737) marketed the motor-cars which it manufactured exclusively through distributors and dealers which it authorized and appointed. The cars were unregistered both when they reached the distributors from the manufacturer and when they reached the dealers from the distributors. On a retail sale by an authorized dealer, the purchaser was given a warranty entitling him to a certain amount of service: this warranty related only to 'any new vehicle', its benefit was available only to 'the first owner-user', and it did not extend to 'any second-hand vehicle or part thereof'.

Authorized dealers sold a car to Mrs X. and delivery of it was taken by her husband, Mr X. At

that stage the car was registered. Mr X. then arranged for the defendant to buy the car, and it was duly sold to him. The defendant then advertised the car for sale, and it was eventually sold to a purchaser. The defendant, in selling the car described it as 'new'. The plaintiff company sought an injunction restraining the defendant from offering for sale as a new car a car of the plaintiff's manufacture which he knew was not new. Wynn-Parry, J., rejected an argument for the defendant that the car which he had sold was a 'new' car when he sold it, because it had only been driven from the plaintiff's factory. His lordship was satisfied that the action of the defendant in offering the car as 'new' was likely to cause injury to the plaintiff, and he granted an injunction accordingly.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Receipt Stamps and the Cheques Act, 1957

SIR, - It must be common experience that many formal receipts are being issued without being stamped.

Section 103 of the Stamp Act, 1891, provides that:

'If any person gives a receipt liable to duty and not duly stamped . . . he shall incur a fine of ten pounds.'

Section 3 of the Cheques Act provides that:

'an undorsed cheque which appears to have been paid by the banker on whom it is drawn is evidence of the receipt by the payee of the sum payable by the cheque'.

This provision was intended for the protection of the banks and in practice it has rendered largely unnecessary the issue of receipts BUT, if a receipt is issued, it must still bear a twopenny stamp.

This is not generally understood and many innocent parties are daily rendering themselves liable to £10 fines.

This may bring the law into contempt, since it is unthinkable that any attempt could now be made to impose such fines.

In these circumstances we suggest that in the forthcoming Budget, Sections 101-103 of the Stamp Act, 1891, be modified.

Yours faithfully,

SMITH & HARTING.

London, EC4.

214070

Integrated Cost Accounting Systems

SIR, - Our College is undertaking some research into problems connected with integrated cost accounting systems. This is a somewhat controversial subject both with teachers and practising accountants and the inquiry seems to fall into two aspects.

Firstly, (a) the exact definition of an integrated system as opposed to an interlocking or reconciled system; and (b) the extent of the practical use of the true integrated system as defined.

Preliminary inquiries through local contacts have met with a favourable response and we have been invited to study the systems in force at a number of Midland concerns. If there are any of your readers who have any further information which they think will be of assistance to us we shall be pleased to hear from them.

Yours faithfully,

P. C. P. FORD, B.COM., A.C.W.A.,
Senior Lecturer in Accounting,

T. E. GAMBLING, B.COM., A.C.A.,
Lecturer in Accounting,

CITY OF BIRMINGHAM COLLEGE OF COMMERCE.
Birmingham, I.

Office Mechanization

SIR, - Apropos Abacus's letter (November 14th issue) regarding mechanization in the office, my firm recently had occasion to write to a firm of nationwide repute in the provision trade on behalf of a client. The information required was simply details of the payments made to the firm by our client during a twelve-month period.

We received a reply regretting that 'as our ledgers are kept on a form of "slip" book-keeping, which in fact means that each account consists only of those items which remain unpaid, we are unable to supply you with the details requested'.

Comment would seem to be superfluous!

Southsea.

Yours faithfully,

F. BARTER.

For Students

COSTING

Problem: Man-hour Rate

Question

Explain what is meant by 'the man-hour rate'.

Answer

The man-hour rate is a term used in cost accounting to explain a method of allocating factory indirect expenses to production. It is preferable to all other systems when labour, rather than machines, is the predominant factor in the department. The object of employing such a method is to recoup from production those expenses which cannot be directly associated with a particular unit of cost. The factory indirect expenses must be departmentalized and then allocated to cost centres. Where all the workers are engaged upon similar tasks, the whole department will represent one cost centre. The hourly rate of expense will be calculated by dividing the total fixed indirect expenses applicable to the department by the total effective working hours of the employees in that department.

If, however, the workers in the department are employed on different tasks, each worker or similar class of workers must be considered as a separate unit or cost centre to which the departmental expenses must be allocated. Having allocated the expenses these will be divided by the effective working hours of the employee or class of employees concerned to obtain the hourly rate.

Expenses varying with production, e.g. power for electrically driven machines such as lathes, drills, etc., are calculated at separate hourly rates. These rates will be added to the hourly rate for fixed expenses to give the total man-hour rate.

AUDITING

Practical Problem

Question

Define internal check, internal audit and internal control and state their effect on the statutory auditor.

Answer

Internal check may be described as the subdivision of tasks whereby the work of one employee is proved independently or is complementary to the work of another, the object being the prevention or early detection of errors or fraud. (It is important to remember that 'internal check' should not be described as the subdivision of *responsibility*, for if the system is to be effective all employees must feel responsible for the work they are performing.)

Internal audit is a review of the operation of the system of internal check and the records of the day-to-day transactions within a business. The essential features of such an audit are that it should operate independently of the system of internal check and that it should not divest anyone of the responsibilities placed upon him. The main objectives of employing

such a system is to assure management that the systems of internal check (and the accounting systems) are operating effectively and are economical. Naturally, an internal audit department will be found only in a business large enough to warrant the expense and work involved.

Internal control may be regarded as the whole system of control established by the management of a business and includes internal audit and internal check.

In accounting matters the internal auditor and statutory auditor have much in common. Their objects are principally:

- (a) to ensure the systems of internal check are effective in the prevention and detection of errors and fraud; and
- (b) that the accounting systems provide the information necessary for the preparation of financial statements.

Their work will be carried out by employing similar techniques and will consist of:

- (a) an examination of the systems of internal check, with particular regard to the principles involved and the effectiveness in operation;
- (b) an examination and checking of accountancy records; and
- (c) the verification of assets and liabilities.

However, there are the following fundamental differences in their work:

	<i>Internal Auditor</i>	<i>Statutory Auditor</i>
Scope	The extent of the work is determined by the management.	The statutory auditor's work is <i>not</i> determined by management but arises from his responsibilities under statute.
Approach	To ensure the accounting systems are efficient so that financial statements are accurate and disclose material facts.	To ensure the final accounts (i.e. the profit and loss account and balance sheet) presented to the shareholders show a true and fair view of the financial position of the company.
Responsibilities	Directly responsible to the management.	Responsible to the shareholders, <i>not</i> to management.

The statutory auditor must decide the extent he can rely upon the work of the internal auditor. Each case must be assessed on its own merits having regard in particular to:

- (1) the extent and efficiency of the system of internal control (including internal check and audit);
- (2) the experience and qualification of the person in charge of the internal audit department and of his staff;
- (3) the authority held by the head of the internal audit department and the level of management to which he is responsible.

It must be remembered that the statutory auditor cannot under any circumstances divest himself of his statutory liabilities.

ACCOUNTANCY

Pre-incorporation Profits

Question

A. S. Ltd, was incorporated on April 1st, 1958, and purchased the business of A. Smith as from January 1st, 1958. The purchase consideration amounted to

£50,000, which was paid on June 30th, and it was agreed that interest thereon at the rate of 5 per cent per annum should be paid to the vendor from January 1st to the date of settlement. Smith also retained the freehold property and let it to the company at a rental of £600 per annum from the date of incorporation.

The following profit and loss account was prepared for the year ended December 31st, 1958:

Trading profit	£	19,800
Deduct:		
Expenses of management	6,100	
Rent	450	
Rates	250	
Directors' Fees	1,600	
Interest to vendor	1,250	
Bad debts (owing at December 31st, 1957)	200	
Preliminary expenses	450	
Depreciation	500	
	<u>10,800</u>	
Net Profit	£	9,000

The sales for the period to April 1st, 1958, were £4,000, and for the remainder of the year amounted to £75,200. The rate of gross profit was uniform throughout the year.

The manager, whose salary was £900 per annum, left on September 1st, and was replaced by a new manager whose salary was £1,200 per annum.

You are required to show the apportionment of profit for the year and to state how you would deal with the pre-incorporation results. Ignore taxation.

Answer

The principles involved in this question are:

- As the purchase agreement has been pre-dated to January 1st, 1958 and since the company was only incorporated on April 1st, any profits earned prior to April 1st are of a capital nature and as such are *not* available for dividend.
- The interest paid to the vendor for the six months to June 30th must be apportioned on a time basis.
- Expenditure which relates solely to the company must be charged in the post-incorporation period and that which relates to the period

prior to incorporation must be charged in the pre-incorporation period.

- Other expenses which vary in relation to sales, e.g. commissions paid to travellers, are apportioned on the basis of the sales in the two periods; expenses which accrue with the passing of time and other fixed expenses are in the absence of information apportioned on a time basis.

- The gross profit must be apportioned on the basis of turnover if this information is given, if not, it may be apportioned on a time basis.

- Calculations:

	3 months to 31/3/58	9 months to 31/12/58
Managers' Salary		
$3/12 \times £900$	225	
$5/12 \times £900 + 4/12 \times £1,200$		775
Management Expenses	6,100	
Less: Managers' Salary	1,000	
Apportioned as to time	£5,100	1,275
Gross Profit:		
$\frac{4,000}{79,200} \times £19,000$	1,000	
$\frac{75,200}{79,200} \times £19,800$		18,800

The bad debt relates to the period prior to the date of purchase. If the purchase consideration is not reduced, the amount of the debt should be credited to bad debts account and debited to goodwill. As it is not an expense of the post-incorporation period, it should not be shown in the profit and loss account. The other items relate solely to either the pre- or post-incorporation period.

If the very small turnover in the period prior to incorporation is due to the seasonal nature of the business, it is probable that a net loss in the pre-incorporation period was expected. The effect of the loss is that the available net assets acquired by A. S. Ltd on April 1st were less than those shown on A. Smith's balance sheet on December 31st, 1957; therefore a greater part of the consideration is ascribable to goodwill. The loss, therefore, may be added to goodwill, or alternatively, it could be written off the profits made in the subsequent nine months.

A. S. LTD
Profit and Loss Account for the year ended December 31st, 1958

	3 months to 31/3/58	3 months to 31/3/58	9 months to 31/12/58	9 months to 31/12/58
Gross profit (see (vi) above)	£	1,000	£	18,800
Deduct:				
Managers' salary (see (v) above)	225		775	
Expenses of management (see (vi) above)	1,275		3,825	
Rent (actual)			450	
Rates (apportioned on basis of time)	63		187	
Directors' fees			1,600	
Interest to Vendor	625		625	
Preliminary expenses			450	
Depreciation	125		375	
	<u>2,313</u>		<u>8,287</u>	
Net loss prior to incorporation		£1,313		
Net profit subsequent to incorporation				£10,513

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

SPECIAL GENERAL MEETING

The President, Mr D. McC. Watson, F.C.A., took the chair at a special general meeting of The Institute of Chartered Accountants in Ireland held on Wednesday, December 16th, 1959, at the Institute's office in Belfast, to consider a resolution for amendment of the bye-laws.

In the course of his opening remarks the chairman said that the proposed amendments had two main objects, firstly, to give effect to the new system of examinations under which five annual examinations would replace the present Intermediate and Final examinations during service under articles; and secondly, to introduce a registration fee payable to the Institute by every clerk on entering into articles. The opportunity was also being taken to make certain other alterations in the bye-laws which the Council considered desirable.

Referring to the proposed new examination system Mr Watson said that this had been recommended by the Education Committee appointed by the Council in 1956. The committee had submitted two reports to the Council on this subject and considerable thought had gone into framing the proposals which it was felt would enable students to acquire a much sounder knowledge of the various subjects than under the present system which tended to encourage a period of intensive cramming before each Intermediate and Final examination. Moreover, the substitution of five examinations for two provided an opportunity of

widening the scope of the accounting and other papers to place greater emphasis on modern techniques. The Education Committee's recommendations, which included special provisions for three-year candidates and for the continuance for limited periods of the Intermediate and Final examinations, had been unanimously approved by the Council.

Mr Watson said the proposed registration fee had originated in a suggestion made by a member at the annual general meeting in 1957. Payment of this fee would entitle the clerk, without further charge, to membership of his local students' society during the term of his service. The fund created would strengthen the Institute's finances and would enable the Council to assist in a way not hitherto possible in schemes for improving professional education.

The resolution having been proposed by the chairman and seconded by the Vice-President, the meeting was opened for discussion in which the following members took part:

Messrs D. A. Corvin, A.C.A., D. McD. Foster, F.C.A., D. L. Magowan, A.C.A., John Mulholland, F.C.A., Alan Thompson, A.C.A., A. S. Treacy, A.C.A., W. E. Weir, A.C.A.

The chairman and the Vice-President, having replied to the various points raised by members, the resolution for amendment of the bye-laws was put to the meeting and was carried, no one dissenting.

MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Belfast on Thursday, December 17th, 1959.

Attendance

The *President*, Mr D. McC. Watson, was in the chair, and there were also present Messrs G. E. Cameron, *Vice-President*, H. E. A. Addy, John Bacon, A. S. Boyd, G. A. P. Bryan, Frank Cleland, A. E. Dawson, James Graham, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson and James Walker, with the *Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs Mervyn Bell, M. M. Connor and J. F. Dempsey.

Fellowship

William Park, A.C.A., Ballymena, Co. Antrim, was elected a Fellow of the Institute.

Associateship in Practice

The following members were admitted to practice:

O'Callaghan, John (Cork).
Sheehan, John Patrick Jude (Dublin).

With effect from January 1st, 1960

Gannon, Terence Vincent (Dublin).
Houston, Robert Arnold (Belfast).
Knox, Geoffrey (Belfast).
McFadden, John Archibald (Sligo).
Stewart, Matthew Henry (Coleraine, Co. Londonderry).

Membership

John Aloysius Carney, Dublin, was admitted to membership.

The Council accepted the resignations from membership of the Institute of:

Jenkinson, Henry Charles, Associate, Dawlish, Devon.
Walby, Mrs Jean Marjorie, Fellow, Belfast.

Institute Examinations: November 1959

The reports of the examiners on the Institute examinations held in November 1959 were submitted showing that in the Final examination 41 per cent of the candidates had been successful compared with 46 per cent at the previous examination; and that in the Intermediate examination 50 per cent had passed compared with 37 per cent in May 1959. In the Preliminary examination five candidates out of twenty-one were successful.

RESULTS OF EXAMINATIONS HELD IN NOVEMBER 1959

FINAL EXAMINATION

First Place with Honours, Institute Gold Medal and 'Arthur H. Muir' Memorial Prize

Lawlor, Ruth Alexandra (Belfast).

Second Place with Honours

Scott, William Hamford (Armagh).

Third Place

Quirke, Flannan Joseph (Dublin).

*Full List of Names of Successful Candidates
(in alphabetical order)*

Blankley, Michael Elver (Belfast); Buckley, James Patrick (Dublin); Delaney, Michael Kevin (Dublin); Dempsey, Patrick Vincent (Dublin); Donovan, Cecil William (Dublin); Drennan, Cecil (Belfast); Fay, Desmond William James (Dublin); Gilpin, Frederick Hewitt (Belfast); Jenkins, Thomas Alfred (Newtownards, Co. Down); Kearns, Richard (Dublin); *Lawlor, Ruth Alexandra (Belfast); Lewis, Gordon Shirley George (Dublin); Lynch, Michael Anthony Patrick (Dublin); McGinley, Joseph Paschal (Dublin); McKee, John Mallon (Belfast); McNulty, Conor Stanislaus (Dublin); Mencarelli, Allan (Belfast); Merry, Brian Anthony (Dublin); Monaghan, John James (Belfast); Nichols, Michael John (Geystones, Co. Wicklow); O'Farrell, Michael Aloysius (Salway); Passmore, Donald William Joseph (Wexford); *Quirke, Flannan Joseph (Dublin); Reynolds, George James Gerard (Dublin); *Scott, William Hartford (Armagh); Stein, Martin (Dublin); Supple, Aidan Fintan (Dublin); Walkington, Roger (Belfast); Wallace, Paul Michael (Dublin).

29 candidates passed.

42 candidates failed.

* See also place list above.

INTERMEDIATE EXAMINATION

First Place and the 'John Hackie' Memorial Prize
Hall, David Thomas (Portadown, Co. Armagh).

Second Place

Burns, Alexander Kingsmill Enniscorthy, Co. Wexford)

Third Place

McCabe, David Alexander Kennan (Dublin).

*Full List of Names of Successful Candidates
(in alphabetical order)*

Aziz, Abdul bin Awang Mustapha (Belfast); Blake, Joseph (Enniskillen, Co. Fermanagh); Buckley, John Noel (Cork); *Burns, Alexander Kingsmill Enniscorthy, Co. Wexford); Caulfield, John Mathew Mary (Dublin); Chapman, John Joseph (Dublin); Claffey, Patrick Joseph Bosco (Bally-

mahon, Co. Longford); Cullen, Myles Thomas Joseph (Dublin); Curran, John Francis (Dublin); Davitt, Robert Michael (Dublin); Dowie, George (Belfast); Gannon, Joseph Alphonsus (Sligo); *Hall, David Thomas (Portadown, Co. Armagh); Heslin, Vincent Aloysius (Dublin); Howlett, Brian Gerard (Dublin); Hyland, John Jeremiah (Cork); Jackson, Edward Sinclair (Belfast); Keenan, John Joseph (Dublin); Kennedy, John Joseph (Dublin); Kennedy, Roy Frederick (Ballymena, Co. Antrim); Keogh, Edward James (Dublin); Kilroy, Norman David (Dublin); Knowles, Andrew Sheridan (Dublin); Leonard, Eamon Patrick (Dublin); *McCabe, David Alexander Kennan (Dublin); McDonald, James Oliver (Belfast); McDonogh, William James (Limerick); McGoran, Kevin Columba (Dublin); McGovern, Peter Francis (Dublin); McGrath, David James Aloysius (Dublin); MacMahon, Niall John Kevin (Dublin); Mann, Patrick William (Dublin); Moore, Diarmuid Joseph Ciaran (Dublin); Morkan, Thomas (Waterford); Moynihan, Martin Anselm (Dublin); Myles, Dale Lyttle Radcliffe (Portadown, Co. Armagh); O'Brien, William Anthony (Dublin); O'Meara, Joseph Patrick (Dublin); O'Reilly, Sean M. (Dublin); O'Shea, Padraig Colm (Dublin); Pilkington, James Anthony (Sligo); Rafferty, Hugh Hilary (Belfast); Rogers, Bernard Augustine (Dublin); Sheehan, Finbar Michael (Dublin); Spain, James Patrick (Dublin); Taylor, Brian Valentine (Dublin); Thomason, Neil Gordon (Belfast); Tinney, Michael Joseph (Dublin); Troughton, Patrick John Pike (Carrickfergus, Co. Antrim); Welch, Robert John (Belfast); Whelan, Eamon Augustine (Dublin); White, Desmond Marigo Cyril (Dublin); Wong, Robert Kin Thong (Belfast).

53 candidates passed.

54 candidates failed.

* See also place list above.

PRELIMINARY EXAMINATION

*List of Names of Successful Candidates
(in alphabetical order)*

Brophy, Liam Michael Oliver (Piltown, Co. Kilkenny); Eason, David Robert Sidney (Dublin); Gaffney, Patrick Francis Peter (Longford); Haugh, Michael John (Dublin); Macgougan, Terence Desmond (Newtownards, Co. Down).

5 candidates passed.

16 candidates failed.

SUMMARY OF RESULTS

	Final	Inter- mediate	Pre- liminary	Total
Candidates successful	29	53	5	87
Candidates failed ..	42	54	16	112
Candidates sat ..	71	107	21	199

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Notes and Notices

THE ACCOUNTANT

Index to Vol. CXLI: July-December 1959

As stated last week, the general index to Volume CXLI (July to December 1959) will be included with next week's issue dated January 9th.

The parts of the volume should therefore not be sent for binding until the index has been added.

PROFESSIONAL NOTICES

[Partnership announcements etc. which previously appeared under the heading 'Personal' will now be published as 'Professional Notices', together with details of accountants' appointments. There is, of course, no charge for the publication of these announcements.]

Commencing with this issue, a 'Personal' column has been introduced into the classified advertisement columns.]

MESSRS PROCTOR & PROCTOR, Chartered Accountants, of 43 Westgate, Burnley, announce with regret the death, on December 16th, of Mr EDWARD WOOD, J.P., F.C.A., senior partner of the firm.

MESSRS ROTH, MANBY & Co, Chartered Accountants, of 6 Vigo Street, London, W1, announce that they have taken into partnership Mr N. I. H. WOLFE, M.A., A.C.A., who has been a member of their staff for some years. The style of the firm is unchanged.

MESSRS GEORGE A. TOUCHE & Co, Chartered Accountants, announce that GEORGE A. TOUCHE & Co (England), TOUCHE, NIVEN, BAILEY & SMART (U.S.A.), and ROSS, TOUCHE & Co (Canada) will from January 1st, 1960, practise under the name TOUCHE, ROSS, BAILEY & SMART. International business of the group will also be carried on through associated firms under the new name in Australia, Continent of Europe and Mexico. At the same time, a new firm of TOUCHE, ROSS, BAILEY & SMART has been formed in Edinburgh, of which the partners are those of the London firm and of A. T. NIVEN & Co.

MESSRS A. T. NIVEN & Co, Chartered Accountants, 15 Melville Street, Edinburgh, 3, announce that an additional firm has been formed at their address under the name of TOUCHE, ROSS, BAILEY & SMART, the partners of which are those of TOUCHE, ROSS, BAILEY & SMART, London (formerly GEORGE A. TOUCHE & Co) and those of A. T. NIVEN & Co. This firm will have the same overseas associations as TOUCHE, ROSS, BAILEY & SMART, London. The existing firm of A. T. NIVEN & Co will continue unchanged.

MESSRS EVANS, FRIPP, DEED & Co, Chartered Accountants, of Farleigh House, Lawrence Lane, Cheapside, London, EC2, and Messrs BALL, BAKER & Co, Chartered Accountants, of Spencer House, South Place, London, EC2, announce that as from January 1st, 1960, they have amalgamated their practices under the style of BALL, BAKER, DEED & Co, with offices at Lloyds Bank Buildings, 55/61 Moorgate, London, EC2. Telephone: Moorgate 9431. The combined practice will be conducted by the present partners of the two firms, namely, Mr JOHN ARTHUR DEED, M.A.,

F.C.A., Mr WILLIAM ROBERT TOMKINSON, T.D., M.A., F.C.A., Mr KENNETH NAISMITH RANKIN, C.A., Mr MICHAEL ST AUBYN MOORE, F.C.A., and Mr GORDON LESLIE ARTHUR DAVIS, A.C.A.

MESSRS COCKE & Co, Chartered Accountants, of 232-8 Bishopsgate, London, EC2, announce that Mr MAURICE CUTNER, A.C.A., retired from the firm on December 31st, 1959. The practice is being continued by Mr J. W. G. COCKE, T.D., M.A., A.C.A., as sole partner for the time being.

MESSRS TURQUAND, YOUNGS & Co, Chartered Accountants, of 19 Coleman Street, London, EC2, announce that Mr LEONARD J. OSMOND, F.C.A., who joined the firm fifty-six years ago and who had been a partner since September 1922 and senior partner for more than twenty years, retired from the firm on December 31st, 1959.

MESSRS J. H. CHAMPNESS, CORDEROY, BEESLY & Co, Chartered Accountants, announce with regret the retirement as from December 15th, 1959, of Mr CLEMENT MAURICE CHAMPNESS, F.C.A., who had been a partner in the firm since 1906, and senior partner since 1925. The name of the firm will remain unchanged. Mr CHAMPNESS will be available to the firm after his retirement in a consultative capacity.

MESSRS BARTON, MAYHEW & Co, Chartered Accountants, London, and Messrs WOOLLEY & WALDRON, Chartered Accountants, Southampton, announce that they have agreed to practise in partnership at Southampton as from January 1st, 1960. The joint firm will practise at Blue Peter House, 8 & 10 Portland Terrace, Southampton, under the names of both firms - BARTON, MAYHEW & Co and WOOLLEY & WALDRON - and the partners in the joint firm will be the existing partners of Messrs WOOLLEY & WALDRON together with partners representing BARTON, MAYHEW & Co, London.

MR R. J. BOLTON, F.A.C.C.A., announces that he has been joined in partnership by Mr DENNIS COLBY, A.C.A., who has been associated with the practice for some time. The new firm will be carried on under the style of BOLTON, COLBY & Co, from Fairfield House, 7 Fairfield Avenue, Staines, Middlesex.

MESSRS PERCY PHILLIPS & Co, of 76 New Cavendish Street, London, W1, announce that as from January 1st, 1960, Mr PERCY PHILLIPS, F.A.C.C.A., F.C.I.S., the founder, is retiring and Mr BERNARD PHILLIPS, F.C.A., is practising on his own account as BERNARD PHILLIPS & Co. The remaining partners, Mr H. FIELEBON, F.A.C.C.A., and Mr S. J. BRESSLOFF, F.C.A., will continue the practice. Mr PERCY PHILLIPS will be available in a consultative capacity to both firms.

Appointments

Mr C. L. Walker, F.C.A., has been appointed to the board of A. W. Hewetson Ltd.

Mr J. P. Evans, A.C.A., has been appointed a full-time executive director of the Atlas Stone Co Ltd.

Mr C. A. Roper, A.C.A., has been appointed joint managing director of Barton & Sons Ltd.

Mr C. G. Hayes, F.C.A., has been elected deputy chairman of the London Court of Arbitration.

Mr J. Purdey, A.C.A., has been appointed secretary of William Warne (Holdings) Ltd.

Mr R. J. Morgan, A.C.A., secretary of the Rugby Portland Cement Co Ltd. has been appointed a director of a subsidiary, the Gillingham Portland Cement Co Ltd.

Mr G. B. Brebner, A.C.A., controller of Rhodesian Selection Trust Ltd, will become a vice-president of the company as from April 1st next. He will retain his office as controller.

BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

More than one hundred members of the Birmingham and District Society of Chartered Accountants attended a one-day conference held at Birmingham University on December 17th, and heard and discussed papers on 'Surtax and companies' and 'Practical aspects of estate duty', presented by Mr J. R. Mead, J.P., F.C.A., and Mr B. G. Rose, F.C.A., respectively.

This is the second conference of its kind to be arranged by the Society, which is planning to make such meetings a regular feature of its activities.

SOUTHEND CHARTERED ACCOUNTANTS' GROUP

The annual dinner of the Southend Chartered Accountants' Group was held at *The Palace*, Southend-on-Sea, on December 18th, presided over by the Chairman of the Group, Mr Harold E. Hassell, J.P., F.C.A. Over one hundred members, article clerks and guests were present.

The toasts commenced with that of 'The Mayor and Corporation of the County Borough of Southend-on-Sea', proposed by the chairman, with a response by the Mayor of Southend-on-Sea, Alderman A. V. Mussett, J.P.

Mr Robert McNeil, F.C.A. a member of the Council of the Institute, then ably proposed the toast of 'The Southend-on-Sea Chartered Accountants' Group', to which the chairman responded.

The toast of 'The Guests' was proposed by Mr R. E. Barnett, F.C.A., and Mr Dennis Smith, F.A.L.P.A., F.V.I., wittily replied.

During the evening, entertainment was provided by a cabaret of artists associated with Anglia Television. The cabaret, which was compered by Hadyn Ward, comprised songs by Miss Jane Fyffe, from the Palace Theatre; Leon Greene, principal bass at Sadlers Wells, and Roger Gage of Anglia TV's 'The Mid-day Show'. Ronald Meachen was the accompanist at the piano. The toastmaster for the evening was Mr John Kennedy Melling, A.C.A.

THE SOUTH WALES AND MONMOUTHSHIRE CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

The annual dinner-dance of the South Wales and Monmouthshire Chartered Accountant Students' Society was held at Bindles Ballroom, Barry, near Cardiff, on December 21st. The occasion was an outstanding success - nearly 200 members and guests attended - and Mr C. R. Daniel, F.C.A., President of the South Wales and Monmouthshire Society of Chartered Accountants, together with Mrs Daniel, were the guests of honour.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute on Tuesday, January 12th, at 6 p.m., when Mr Harold Wincott, Editor-in-Chief of *The Investors Chronicle*, will speak on 'Every man an investor'.

SW. LONDON CHARTERED ACCOUNTANTS' DISCUSSION GROUP

By kind invitation of the Mayor, Alderman E. Bostock, M.A., F.C.A., J.P., the next meeting of the South West London Chartered Accountants' Discussion Group will be held in the Mayor's Parlour, Twickenham, on Monday, January 4th, at 6.45 p.m., when Mr B. C. Berkinshaw-Smith, B.A., A.C.A., will open a discussion on the 'Revision of the Companies Act'.

THE INSTITUTE OF INTERNAL AUDITORS Yorkshire Chapter

A Chapter of The Institute of Internal Auditors has been formed in Leeds to be known as the Yorkshire Chapter. The following officers have been appointed:

President: Mr P. Cluderay, National Coal Board.

Vice-President: Mr S. Hepworth, Yorkshire Electricity Board.

Secretary: Mr J. Coates, Shell-Mex and B.P. Ltd.

Treasurer: Mr H. V. Clarkson, National Coal Board.

Governor: Mr J. Robson, Central Electricity Generating Board.

The next meeting of the Chapter will be held at the offices of the National Coal Board, Newton Hill, Wakefield, on January 26th, at 7.30 p.m., when Detective Inspector Thorp, of the West Riding Constabulary, will speak on 'The investigation of fraud'.

Information about the activities of the Chapter can be obtained from the Secretary, Mr J. Coates, Divisional Internal Auditor, Shell-Mex and B.P. Ltd, Shell & BP House, Eastgate, Leeds, 2.

London Chapter

The next meeting of the London Chapter of the Institute will be held next Wednesday, when Mr J. R. Higgins, of Brown, Shipley & Co Ltd, will speak on 'Problems of foreign exchange as applied to industry'.

Inquiries regarding membership of the Chapter should be addressed to the secretary, Mr E. N. Judge, South Eastern Electricity Board, 10 Queen's Gardens, Hove, 3, Sussex.

Manchester Chapter

The Manchester Chapter of the Institute is holding its next meeting on Tuesday, January 19th, at 7 p.m., in The Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2. The speaker will be Mr A. L. Reeve, of Unilever Ltd, who will present a paper on 'Internal auditing in practice - the scope of my job,' and the chair will be taken by Mr K. Bradley, President of the Chapter and head of the Internal Audit Department of Associated Ethyl Ltd, Northwich. A cordial invitation is extended to all interested non-members.

Information regarding the activities of the Chapter may be obtained from Mr R. S. Rossiter, Divisional Internal Auditor, Shell-Mex and B.P. Ltd, Shell-BP House, 7 Oxford Road, Manchester, 1.

**GRADUATED PENSION SCHEME:
CONTRACTING OUT**

The British Employers' Confederation, of 33 Smith Square, London, SW1, has published a small booklet setting out the principal issues for consideration by employers in deciding whether or not to contract out of the graduated pension scheme established under the National Insurance Act, 1959.

BUDGETARY CONTROL

A two-day course on 'Budgetary control' is to be held at *The Queen's Hotel*, Stephenson Place, Birmingham, on January 13th and 14th. The speakers will be Mr Francis T. Hunter, F.C.A., F.C.W.A., Mr W. H. Haddleton, F.C.I.S., and Dr James M. S. Risk, B.COM., PH.D., F.B.I.M.

The course will start at 9.30 a.m. and finish at 5 p.m. each day, and the course fee of fifteen guineas will include morning coffee, lunch and tea at the hotel. Reservation forms are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

THE ACCOUNTANT'S DIARIES**Corrigenda**

Diary users are notified of the following corrections which should be made in their 1960 diaries:

Inland Revenue Duties etc.

Foolscap desk diary, page 37, column 2.

Pocket diary, pages 144-145.

Under 'Conveyance or Transfer (A) Stocks and Shares (ii)', after 'When the value does not exceed £5' delete '2s' and insert '6d for every 25s or part of 25s'.

Pocket diary, page 145.

In the first line of the table under (B) Property other than Stocks and Shares '5d' has been misprinted for '6d' - per 25s or part of 25s.

Whole Life Assurance Table

Foolscap desk diary, page 63.

Pocket diary, page 136.

For 'Legal & General' the rate of last declared bonus should be 45s per cent instead of 42s 6d per cent as shown.

LONDON STUDENTS' COLUMN**News from the London Chartered Accountant Students' Committee****Meetings**

The autumn session general lectures finished on a topical note with Mr Hugh Nicholson's talk on 'Where the Companies Act fails'. It was not possible to use the Oak Hall that evening and the venue had to be altered to Winchester House. Unfortunately the only hall available was too small to accommodate everybody who attended, and about seventy-five students could not gain admission. Students who were unable to hear this lecture will have another opportunity as Mr Nicholson has agreed to repeat it during the spring session. This will begin on January 27th and programmes will be distributed to members shortly.

Over 1,450 people were present at the annual dinner at *Grosvenor House* and enjoyed a very pleasant evening. Each of the after-dinner speakers kept his speech commendably short and witty.

Library

Recent acquisitions by the Library include *Investing Simplified*, presented by the author, Mr Edward du Cann, and seven *Students' Telephones*, presented by Mr W. T. Pritchard.

Before every examination the demand for *Telephones* greatly exceeds the supply available. As it is impossible to purchase any other than the most recent issues, the

Library is always grateful to newly-qualified members who will sell or give their past years' copies.

Union of Chartered Accountant Students' Societies

Delegates from twenty-five students' societies met in London on December 11th for their annual conference, to discuss matters of interest to students. Amongst the subjects on which views were expressed were: grants towards tuition expenses from local authorities; articulated clerks' salaries, and the relationship between articulated clerks and their principals. In the evening a dinner was held at Tallow Chandlers' Hall with Mr W. E. Parker, C.B.E., F.C.A., as chairman. The conference was reported in last week's issue of *The Accountant*.

Speakers' Course

A dinner debate was held recently with Westfield College and thirty-seven members attended to debate that 'Nursery rhymes corrupt the young'.

Prizes for the autumn session have been awarded to J. A. Cochrane and B. J. Mitchell.

Sports

In recent matches the squash team beat the Bar 5-0 and drew with the Ashted Club, and the Association football team beat Guy's Hospital 6-0.

MOTOR — FIRE — CONSEQUENTIAL LOSS

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A Little More Legal Aid

WHEN the Legal Aid and Advice Act was passed in 1949, no provision was made for adjusting to changing price levels, the income and capital limits beyond which free and assisted legal aid, respectively, could be given. No one needs to be reminded that the cost of living has altered in the past decade; and the effect of the alteration on the working of the legal aid scheme has been to leave within its scope progressively smaller sectors of the community. That in outline is the background to the Legal Aid Bill, introduced by the Government just before Christmas.

There has for years past been pressure for some adjustment in the limits, notably by the Lord Chancellor's Advisory Committee which last year, in its comments on The Law Society's Eighth Report on the working of the scheme, pointed out that

'when, in 1949, the financial limit for legal aid was fixed by the Act at a disposable income of £420 (or just over £8 a week) the average weekly earnings in manufacturing and certain other industries was just over £7 a week. . . . Now no industry produces average earnings below the legal aid limit'.

In December the Advisory Committee reported separately on the financial provisions of the Act, and the new Bill is largely based on their recommendations.

In its main provision, increasing the free and assisted limits, it does no more than restore, more or less, the 1949 position: legal aid will be available to anyone whose 'disposable income' does not exceed £700 per annum (instead of £420); no contribution from capital will be called for when 'disposable capital' does not exceed £125 (instead of £75), nor from income when 'disposable income' does not exceed £250 (instead of £156); and the most that a legally aided person will be called upon to contribute from income is one-third the excess of that income over £250 (instead of one-half the excess over £156). It is estimated that all this will not cost more than £770,000 in a full year; legal aid has never been a costly luxury, and the increases now envisaged, viewed strictly, will not increase the cost over the 1949 figures, but will rather abolish the saving to public funds (in real terms) produced by inflation.

Even so, there are some interesting points involved. 'Disposable income' means the income left after certain permitted deductions, and with the benefit of all possible deductions it will be possible under the provisions of the Bill for a man earning £1,300 or £1,400 a year to be eligible for some measure of aid, little enough in itself but valuable to the extent that it will fix his potential liability for costs. Now, just as the cost of living and many

industrial earnings have increased substantially in ten years; so many salaries have conspicuously failed to keep step, and the suggestion has been made that the new figures may conceivably result in a solicitor providing legal aid for persons no worse off than himself.

This would be unfortunate, for barristers and solicitors make a substantial contribution to the cost of legal aid in accepting only 85 per cent of the amount allowed on taxation of costs and this deduction of 15 per cent may represent half a solicitor's average profit on a case. The Legal Aid Committee suggested that if the limits of eligibility were increased, the lawyers should have 100 per cent. The Advisory Committee rejected this proposal, but suggested instead a 90 per cent share. The Bill contents itself with adding to 85 per cent, where it occurs in the 1949 Act, the words 'or such larger percentage as may be prescribed'. This power to increase by regulation, taken also in the principal increases (the new top figure is £700 'or such larger yearly figure as may be prescribed') is obviously sensible; the necessity for the present Bill is the best proof of that.

The desirability of increasing the eligibility figures is only one of the four principal matters in which extension or reform of the legal aid arrangements has been widely urged. One more, not requiring legislation, has already been introduced: legal advice, provided for in the 1949 Act (and indeed forming part of the Act's title) has, since last March, been available on the basis of a scheme proposed by The Law Society under which oral advice by a solicitor can be obtained at a fee not exceeding £1 for a thirty-minute interview. An inquirer who cannot afford to pay even this fee may be required to pay 2s 6d, unless he is receiving National Assistance, when he need pay nothing; while further advice, or consequential action, may follow with the authority of an area committee. Almost everyone concerned with legal aid has argued ever since the passing of the 1949 Act that advice is at least as important as aid in litigation, and could be expected very often to make litigation unnecessary; the only question in most observers' minds has been which of the two – increase in limits or implementation of the advice provisions of the Act – should come first, given the premiss that funds were not available for both. Now we shall have both, and the 1949 Act,

and the Rushcliffe Report on which it was based, will be given their first chance of proper operation.

This will leave outstanding the fact that legal aid, extended to the County Courts in 1956, is still not available in Courts of summary jurisdiction in such matters as affiliation orders or guardianship proceedings. On this point THE LORD CHANCELLOR announced in December that legal aid would be introduced in magistrates' Courts during the next financial year. It leaves outstanding too the most difficult of the reforms which critics of the legal aid scheme have been advocating – the most difficult and the one that most closely concerns the general public (including accountants in their private and professional capacities). A legally-aided litigant knows that if he loses, then so far as his own costs are concerned, he will have to pay either nothing or, if he comes between the two limit figures, a fixed maximum; in addition he will pay, not necessarily the whole of his opponent's costs but such amount, if any, that the judge considers reasonable in the particular circumstances. There has been a tendency for this amount to be assessed at the same figure as that already fixed for the assisted party's contribution, and many lawyers feel that judges have too often set the costs figure too low. In any case, anyone who has ever been involved in litigation will agree that this is a comfortable basis on which to issue a writ. If the assisted party's opponent is not legally aided, and loses his case, his liability for costs is not defined: it is obviously impossible that it should be. But if he wins, and is awarded costs, he is then confronted with the distressing fact that legal aid does not necessarily cover anything like the whole of the opponent's costs; successfully defending an action brought by a legally-aided litigant may be a very expensive business. The Legal Aid Committee have suggested that all such costs should be borne by the Legal Aid Fund, but there is no sign yet that any such provision is to be made.

Movement towards completion of the work of the 1949 Act has been painfully slow. This is the more to be deplored when it is remembered that legal aid in its piecemeal growth has been remarkably well run and costs astonishingly little. The little more that is to now be added by the Legal Aid Bill can be welcomed; but there is more still to be done.

Redemption of Redeemable Preference Shares

by P. A. TOWSEY, B.Com., A.S.A.A., A.A.C.C.A., A.C.I.S.

A DIFFICULTY arises in interpreting the meaning of the words 'out of the proceeds of a fresh issue' of shares in Section 58 (1) (a) and (d) of the Companies Act, 1948. This difficulty arises when, for the purpose of redeeming existing redeemable preference shares, a new issue of shares is made at a premium. The question is: Do the words 'proceeds of a fresh issue' embrace only the nominal value of the new issue or do they embrace the premium as well?

In the opinion of the writer the words of the section have a sufficiently clear meaning and they should be taken to include the premium. That is to say that, if an issue of 100,000 £1 ordinary shares is made at a premium of 10s, then the 'proceeds of the issue' are £150,000 and not £100,000. To set a narrower interpretation upon the words 'proceeds of a fresh issue' would be to twist words and to fail to give the words of the statute their literal meaning.

Opposing View

The writer would leave the whole matter there but for the fact that he has found a weight of authority leaning towards a different interpretation, namely, that 'proceeds of a fresh issue' means the nominal value only of that share issue. The weight of authority favouring this interpretation is to be found in the leading accounting textbooks and in the model solution provided by a leading firm of accountancy tutors to a problem set in one of the Institute's examinations. The only support which the writer was able to find for his own interpretation was in a 1953 edition of a well-known textbook which, in its later editions, without explanation, applied that interpretation. It is repeated that no explanation was given in either instance for the interpretation adopted. Indeed, it would seem as if the textbook writers and the accountancy tutors were joined in a conspiracy of silence and evasion upon this comparatively simple question.

The question of providing for a premium, if any, upon redemption presents no difficulties. The Act is crystal clear upon this point: such a premium must be provided for out of profit and loss account (or revenue reserve) or out of the

company's share premium account (including any share premium account which may have just been created). There appears to be no room for disagreement here and it would seem that no disagreement exists.

If there is a premium to be paid on redemption as well as a premium collected on a new issue, and if both these premiums are of the same order, then one may be used to absorb the other and any balance remaining would be small and its treatment not of great practical importance. But if the redemption premium, if any, is small and the premium on the new issue is large, then a problem is created which must be faced. An example will illustrate the situation.

Suppose a company has due for redemption at a premium of 2s per share an issue of 100,000 £1 redeemable preference shares; the company proposes to make a fresh issue of 50,000 £1 ordinary shares at £2 each for the purposes of the new redemption; and the company has at the time revenue reserves in excess of £60,000 and cash in excess of £10,000.

The accounting procedure for the new issue will be straightforward enough, likewise the redemption of the existing redeemable preference shares, viz. (in abbreviated form):

	Dr. £	Cr. £
Cash	100,000	
Ordinary share capital ..		50,000
Share premium account ..		50,000
Redeemable preference shares ..	100,000	
Premium on redemption ..	10,000	
Cash		110,000
Share premium account ..	10,000	
Premium on redemption, to write off said premium as provided in Section 58 (1) (a) ..		10,000

But what is the minimum amount that must now be transferred from revenue reserves to capital redemption reserve fund to comply with Section 58 (1) (d)?

The writer's view is that the minimum transfer that must now be made is nil, for the proceeds of the new issue, viz. £100,000, are equal to the nominal value of the shares re-

deemed. Nevertheless, he would consider it financially prudent and in accordance with the spirit (but not, in his opinion, the letter) of the Act to transfer to capital redemption reserve fund the amount of £10,000, being the premium on redemption, which would have had to be met from revenue reserves if the new issue had been made otherwise than at a premium.

On the other hand, the weight of authority as already mentioned adopts the view (by implication if not by direct expression) that the premium on the new issue must be deemed not to be a part of the 'proceeds' of the issue. In other words the amount to be transferred to capital redemption reserve fund will be £100,000 (nominal value of the shares redeemed) less £50,000 (nominal value of the new issue), i.e. the amount of £50,000.

Intention of the Act

It would seem to the writer that the intention of the Act is to offset what is in effect a reduction of capital by requiring the capital reserves to be increased by the amount of the said reduction. This is achieved in this instance by the new share premium account arising from the new issue. But if the interpretation here disputed is adopted, then an additional transfer of £50,000 will be made and the total of share capital and capital reserves will be increased by the said

£50,000 (less premium on redemption). This seems to go beyond both the letter and the spirit of the Act and to be unnecessary.

There is another consideration that disposes the writer to be stubborn in his own opinion. Suppose a company with redeemable preference shares due for redemption has been earning high profits but has no reserves because it has distributed its profits by way of dividend; and suppose that this company had sufficient standing in the market to permit an issue of new £1 shares for £2 in cash. Would it not be the duty of the directors to issue such new shares at such premium? But the result of this is that the company would, under the disputed interpretation, be forced to raise twice as much capital as it needed for the purposes of the redemption; for the newly created share premium would not be deemed to form part of the proceeds of issue and a transfer from revenue reserves of the full nominal amount of the shares redeemed would still be necessary. It would no doubt be possible to invent a scheme of financial reconstruction that would circumvent this difficulty. But why create such unnecessary complications?

As far as the writer is aware, the interpretation of the relevant section has never been tested in the Courts. It would be interesting to have the views of others for the position can only be regarded as uncertain and unsatisfactory.

Comparative Taxation

IV — WEST GERMANY

by WALTER HOPE, A.I.B., A.T.I.I.

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A GERMAN business executive was surprised when the writer contended that United Kingdom taxpayers had a heavier burden than their counterparts in the Federal Republic. He instanced the *Lastenausgleichs-vermögensabgabe*, that capital levy of 50 per cent imposed on all property owned on June 21st, 1948 (when the *Deutschmark* replaced the *Reichmark* currency). Admittedly the size of its name is appropriate when compared with the British capital levy, the 'special contribution' on surtaxpayers' investment income for 1947-48, but,

spread over the period allowed for payment (until April 1st, 1979) and called 1.66 per cent per annum, it does not so apparently turn the scales.

Three-tier System

Again, German taxpayers have to contribute to three authorities against two in Britain — Bund (Federal Government) and Länder (provincial Governments, which under the constitution are self-supporting and independent in budget economy and have concurrent legislative rights over income, property, and inheritance), as well as Gemeinden (local councils). Take capital levies as an example. Although *Lastenausgleichs-vermögensabgabe* is the only contribution due to the Bund,

Previous articles in this series appeared in the issues of November 15th, 1958 (France), February 14th, 1959 (Italy), and September 5th, 1959 (U.S.A.). A subsequent article will deal with the taxation systems in Scandinavia.

the Länder assess *Vermögensteuer* on all assets of residents and assets in Germany of non-residents at 1 per cent a year (or $\frac{3}{4}$ per cent if on less than the Bund tax; a tax on purchases of new shares in a company or firm (3 per cent : $1\frac{1}{2}$ per cent on reorganizations); a tax on the first purchase in Germany of bonds, foreign company shares or charges on securities ($\frac{3}{4}$ –3 per cent); a tax on stock exchange transactions (·03–·75 per cent); a tax on the drawer or first holder in Germany of bills of exchange (·075–·15 per cent); and a tax on insurance payments (2–5 per cent) and fire insurance benefits (4–12 per cent); while of a tax on the transfer of real property, 3 per cent goes to the Länder, 4 per cent to the Gemeinden. Local authorities themselves levy yearly *Grundsteuer* (·2–1·6 per cent of historic cost) on real property (its age and the population of the district effect its assessable value, and the rate varies with the authority), and also on all businesses, *Gewerbesteuer*, under which both profit (about 15 per cent) and capital (about ·6 per cent) are taxed. But any conclusion because of this spread of liability would be illogical: it merely makes necessary a comparison of the complete tax structure in each of the two countries.

Turnover Tax

The British purchase tax has some parallel in three imposts by the Bund. Turnover tax is normally 4 per cent on imports, receipts from all sales – and services – and the value of own produce used. Essential imports – and wholesale deliveries – of raw materials, deliveries by the producer of agricultural products, and exports are exempt. Reduced rates are applicable to other deliveries to wholesalers ($\frac{1}{2}$ per cent), deliveries by the producer of goods made in Germany ($1\frac{1}{2}$ per cent), and to certain foodstuffs. On the other hand, where producers make retail sales an extra 3 per cent is levied. The tax due is paid each month. If the annual turnover of the business comes to less than DM.5,000, the first DM.8,000 is exempted. (£=DM.11·65.)

Sales tax is charged on producers of beverages, sweetstuffs and salt, playing cards, tobacco, electric light bulbs and matches, mineral oil products and vinegar, and the proceeds of a tax of DM.1 a ton on coal is specifically to subsidize miners' housing. Transport undertakings pay on costs for passengers (4–16 per cent) and goods within Germany (7 per cent), and a levy per ton per kilometre on long-distance traffic.

Companies and individuals are not both assessed to one national tax as both are to income tax in

the United Kingdom. Individuals pay *Einkommensteuer* on sliced income, 20 per cent on up to DM.8,009 – 53 per cent on over DM.110,039. Companies pay *Körperschaftsteuer* at 51 per cent, but there are reduced rates for businesses with capital not over DM.5 million (from 39 per cent upwards) and for non-resident concerns (49 per cent), and home joint-stock companies get a distribution relief of 36 per cent on dividends paid. Obviously the German Government influences companies' distribution policies contrary to the bias shown by the British Government in profits tax up to April 1st, 1958.

The fiscal year is the same as the calendar year, and the Federal Budget must be established by law before this begins. The basis of assessment is the actual income and until 1956 the profit for an accounting year ending other than on December 31st, had to be apportioned; simplification has now been achieved by treating the accounting year as coincident with the fiscal year in which it ends.

Profits are defined by law as the excess of value of total assets at the end of the year over the value at the beginning, after taking into account withdrawals and additions during that time. Allowable deductions are not only local taxation, as in Britain, but also turnover tax. Income arising abroad is taxed in exactly the same way as income arising in Germany; amongst their companies there is no privileged category such as overseas trading corporations in the United Kingdom.

Double Taxation Relief

General agreements for the avoidance of double taxation exist only with the United Kingdom, eight other European countries, Canada and U.S.A. (Britain has over seventy), but a system of unilateral relief is also now in force. Dividends paid are not a deductible expense; dividends received form part of the total profit subject to *Körperschaftsteuer*, and an individual also must include dividends received in his income on which he pays *Einkommensteuer*. Thus double taxation exists, but relief is granted where a company receives dividends from another of which it owns 25 per cent or more capital. Then the total *Körperschaftsteuer* payable by the two companies is only 51 per cent – if the distributing company has paid 15 per cent, the recipient company pays only 36 per cent.

An allowance may be deducted for depreciation of all assets used in earning income – not just specific classes as in the United Kingdom. It is given on historic cost or, if purchased before June 21st, 1948, on the revaluation at that date.

Otherwise, as in Britain, there is no provision for changes in the value of money. The straight-line method of depreciation – the British alternative – is their normal. Any other must be agreed with the Revenue for each individual asset. The reducing-balance method is regarded as equivalent to an initial allowance and may be claimed only for movable plant with a life of over ten years. The usual alternative is on the *Teilwert* – that proportion of the value of the business as a going concern which the asset to be depreciated bears to total assets. Once an asset has been depreciated on the *Teilwert*, any change of method in a subsequent year is forbidden. A change from straight-line to reducing-balance method, or vice versa, is not affected merely by giving notice as in this country, but is allowed only for a new and important reason. The time from which the allowance is given is when the asset is ready for use – not when it was first used – but at whatever date of the year this occurs, the allowance for the first fiscal year is one-half of the subsequent annual allowance. There are no agreed rates for general application, and opinion is against their introduction. The normal useful life of each asset is agreed between the business and the Revenue by negotiation. The rate is fixed for normal usage and, if the asset is subjected to shift working, the rate is increased by 25 per cent or more for double shifts and 50 per cent or more for treble shifts.

Initial Allowances

There is no investment allowance. Initial allowance is granted on a few types of assets only. Of the cost of new ships, 15 per cent may be written off in each of the first two years. Where the trade is effluent, or carried on on the border of the Iron Curtain, 50 per cent of movable assets and 30 per cent of fixed assets acquired for that trade may be written off in the first two years, up to a maximum of DM.100,000 per annum.

The allowances are limited to the amounts actually provided for in the business accounts. The amount of any restriction is lost: it cannot be carried forward and provided for in a subsequent year.

Stock-in-trade is valued at cost, market price, or *Teilwert*, whichever is the lowest. The law states that F.I.F.O. must be adopted unless L.I.F.O. reflects the actual pattern of stock movement in the business. The effect on taxable profits of stock valuations based on changing values of money – unrecognized in the United Kingdom – is at least accorded a provision to smooth out violent fluctuations. Where the market value of

the closing stock in any year is over 10 per cent more than the market value of the same quantity of opening stock, the increase is placed to a specific reserve and excluded from the profit. During the next four years any fall in the value of the stock is met out of this reserve and only at the end of that time does the unused balance fall to be charged to tax.

Loss Relief

Losses, calculated after depreciation allowances, may be carried forward and set against profits of the next five years. This is the only method by which relief may be obtained and increases the incidence of tax on businesses which recover slowly after a heavy loss or which undertake a development policy at the expense of profits for some years.

The proceeds of *Einkommensteuer* and *Körperschaftsteuer* are divided, one-third to the Bund, two-thirds to the Länder. The profits agreed for these taxes are adjusted for *Gewerbeertragsteuer* payable to Gemeinden. Deductions for interest on loan capital, and payments to proprietors are added back. Foreign income is excluded and a deduction is allowed of 3 per cent of property owned and used in the business. Where the business is carried on in the district of more than one local authority, the total profit is apportioned according to the proportion of the total employees' remuneration paid by the departments in each district. The first DM.2,400 of this adjusted profit is ignored; the assessable income for companies is 5 per cent of all the excess. For individuals it builds up by an extra 1 per cent on each additional DM.2,400 to the maximum rate of 5 per cent on profits over DM.12,000. Added to this is 0.2 per cent of the net assets of the business (less those assessed to *Grundsteuer*), which are subject to *Gewerbekapitalsteuer*. On the joint total, tax may be at about 300 per cent.

With the approval of the Federal Government's Local Authorities' Supervisory Department, *Lohnsummensteuer* may also be payable. This is on the salaries and wages deducted in arriving at the profit for federal tax. If under DM.12,000 the assessment is reduced by DM.3,600. The rate usually amounts to less than 20 per cent, but ranges up to 40 per cent. The application of this element of *Gewerbesteuer* may, of course, be expected to reduce the rates of the other two.

Employers are required to pay contributions in respect of their employees for sickness, accident, disability, and unemployment insurance;

for the family allowance fund; and to recognized trade associations. This supplement to the wage bill totals about 12½ per cent, but the charge on the residual profits – when social services are financed out of general taxation – is naturally reduced.

Some taxes must be deducted at source – *Kapitalertragsteuer* on share dividends (25 per cent) and fixed interest (30 per cent), and *Aufsichtsratssteuer* on non-resident directors' fees (30 per cent) – and *Loi-nsteuer* is operated on wages like P.A.Y.E.

Notopfer Berlin – 4.09 per cent of profits paid by all companies to aid West Berlin – ceased in 1958, but on the income of companies resident in that land, the first 3.2 per cent is freed from tax and the rates chargeable on the remainder are reduced by one-fifth, as for individuals of West Berlin.

To taxation has been attributed the relative development of German and British industries in recent years, but – even without seeking other explanations – we must consider whether 'one man's meat . . .'

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

SOUTH AFRICA

The Burden of Loan Charges

AN article in the October issue of *The South African Treasurer* – the official journal of the Institute of Municipal Treasurers and Accountants S.A. (Incorporated) – considers the problem which now confronts some local authorities as a result of the increased burden of fixed annual loan charges, the rising costs of capital expenditure and the limited sources of revenue available. It is pointed out that in the past decade, interest charges on stocks issued by the major cities have increased by over 70 per cent (i.e. from 3½ per cent to nearly 5½ per cent) whilst at the same time the cost of capital equipment and civil engineering works in general has risen by 200 per cent and more. This at a time when secondary industry is suffering a minor setback as a direct result of the fall in world prices of primary products is sufficiently serious to give cause for concern. In addition, the Government's declared policy of decentralizing industry will undoubtedly affect the long-term financial planning of local authorities, particularly those endeavouring to attract industries to replace exhausted gold mines.

The net loan debt of South African local authorities has actually increased from £108,470,174 to £409,421,616, in the fifteen post-war years but this capital has had to be expended at inflated costs. During the same period, rateable values in the six largest cities of the Union rose by 233 per cent and, in addition, the rate poundages were raised well above pre-war levels but these revenues have been burdened with higher interest charges and increased costs of maintenance and service. The article concludes that local authorities should consider scientifically and on a long-term basis how to provide capital without imposing the costly burden of loan debt on their ratepayers.

Not to be put off by the high interest rates, how-

ever, the Johannesburg City Council took advantage of the recent relaxation of Treasury control over local authorities' loan requirements and, for the second time this year, issued a loan to finance the Council's capital works programme. The loan was for three million pounds issued at £99 10s 0d, repayable in 1979, with interest at 5½ per cent per annum. The lists were closed within a few minutes of their opening with applications totalling more than £54 million, of which building societies subscribed 27 per cent, insurance companies 14 per cent, and pension and provident funds 34 per cent.

GERMANY

Allowable Travel Expenses

GERMAN tax law has now attempted to lay down precise conditions under which businesses may claim foreign travel expenses of employees as a deduction from income. The basis of the claim is the amount which a comparable civil servant would be able to charge for official travel abroad. Countries are divided into two groups 'A' and 'B', the daily allowance for accommodation and extra meal expenses being arrived at by using the following table:

	Group 'A'	Group 'B'
Annual salary up to DM.6,000	DM.45	DM.35
" " DM.6,001–12,000	DM.60	DM.45
" " DM.12,001 and over	DM.80	DM.60
(£1 = DM.10 approximately)		

A list of countries in group 'A' is given, which includes France, Egypt, Argentina, Canada and the U.S.A. Group 'B' consists of all other countries, such as the United Kingdom, Sweden and Australia. But special rules are applicable to certain countries; for example, the rates for group 'A' apply to France only where the journey is to Paris, Marseilles, Strassburg, Versailles, Fontainebleau; Roquencourt, Bretigny-sur-Orne and the Riviera from Cannes to the Italian

frontier. For all journeys to other parts of France, the rates for group 'A' are to be reduced by 20 per cent.

There is also a provision for actual hotel expense to be charged in certain cases where it is exceptionally high, in which case seven-tenths of the appropriate daily allowance can be claimed for food. The regulations also cover the cases where hotel and/or food is provided without charge, of ship and air travel, and so on.

FRANCE

Quadruple-entry Book-keeping

A QUADRUPLE-ENTRY book-keeping system designed to show the availability of funds as well as the movement of values was described in a recent issue of *L'Orga-La Comptabilité* (Paris). The accounts of a business are divided into four groups. In the first, the asset and liability accounts appear, excluding personal accounts which are allocated to the second group. The third group consists of periods of half-months, for which purpose an assumption must be made concerning the estimated life of the business. The fourth group relates to the present, and contains accounts for all assets and liabilities at their present realizable values.

Vouchers are prepared in two colours, one for entries and one for issues, and plus or minus signs are used for positive and negative operations. If, for instance, ten barrels of wine are purchased and received in store, the price being 10,000 frs. payable in three months, the entries in the accounts are as follows: the entry into stock is recorded in group 1, the liability to the supplier in group 2, the future receipt in group 3 and the realizable value of the goods in group 4, with an adjustment account for the difference between 10,000 frs. and the realizable value. On payment, the liability to the supplier is eliminated from groups 2 and 3, and the entries in group 4 will be adjusted when the goods are disposed of, or revalued.

The article points out that accounting by means of more than two entries can serve other control requirements of a business, but the necessity to follow continuously its liquidity and the availability of funds makes the system proposed by him an indispensable element of financial accounting.

Test-yourself on Organization

AMONG the questions set in the 1959 examination for the diploma of accountant (*technicien de la comptabilité*) as translated from the *Bulletin de la Société de Comptabilité de France*, appeared the following on the subject of organization:

You are the chief cost accountant of an industrial undertaking. You and your personnel will be in contact with the personnel of the stores, workshops, and different administrative departments, and perhaps with the technical and commercial departments.

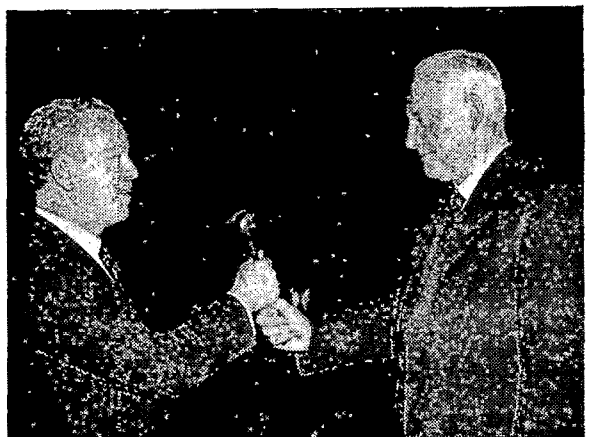
- (1) Choose an example and describe the business you have chosen by giving:
 - (a) the trade or industry;
 - (b) the number of personnel (monthly and hourly);
 - (c) the number of personnel in the administration and technical departments (monthly salaries) and the number of workers (hourly wages);
 - (d) the size of its stocks of raw materials, work in progress, finished goods, and goods for resale, indicating for each of these categories the approximate number of stock-cards which would be required.
- (2) Show the position of your department and its relations with other departments by means of an organization chart.
- (3) Demonstrate the importance of your department in this organization and the number of personnel required for each of its activities.
- (4) You are concerned with conditions of work, psychological and others, and human relations in your department and outside:
 - (a) give some examples of precautions taken and instructions given by you in order that each employee has a degree of interest in his work and a feeling of responsibility;
 - (b) justify these instructions by showing how they would be transmitted and what is their object.

NETHERLANDS

New President of the Institute

AT the annual meeting of the Netherlands Institute of Accountants held on December 19th last, Mr H. C. Treffers was elected President of the Institute in succession to Prof. Dr A. Th. de Lange.

Mr Treffers is a partner in the firm of Messrs Th. & L. Limperg, of Amsterdam, and served as a member of the Council of the Institute from 1952-55. He was a member of the organizing committee of the Seventh International Congress of Accountants held in Amsterdam in 1957 and on that occasion was chairman of the special committee for social events.



Professor de Lange (right) hands the chairman's gavel to Mr Treffers at the annual meeting.

Management Accounting — A Problem of Communications

by W. H. LEATHER, M.A., F.C.A.

I WAS invited to suggest a title for this paper and I have chosen this title deliberately, not with the intention of talking mainly about communications within a business, which is a major subject in itself, but to emphasize the purpose of management accounting. This purpose consists of the provision and dissemination of information to assist the management to run a business.

Management accounting is a separate and distinct function of an accounts department and is very different from the traditional functions. These traditional functions can be simply stated.

First, the industrial accountant has the responsibility of keeping records of all transactions so that debts are settled, wages paid and generally that book-keeping control is exercised. Secondly, he has to ensure that certain legal requirements are observed such as payment of taxes, and application of the Companies Acts. These functions are mainly ends in themselves as far as accountants are concerned. The third function, which is the subject of this paper, is the provision of information to all levels of management to assist them in running their business efficiently. This function is a service and a means to an end only. In consequence it requires a completely different mental approach.

Managing a business may be described briefly as making a plan or series of plans and putting them into operation. In all phases of this exercise the accountant should make a substantial contribution. The financial aspects of all plans require to be calculated from data which has a reliable and known basis so that the financial implications can be anticipated as accurately as possible. The corollary to this is that the same cost data should create the link between the plan to make a profit and all the physical operations which have gone or will go into the fulfilment of the plan. The means of communication of these

financial implications should always be available to the management when the resources of the business are being co-ordinated.

The next duty of the accountant is to keep different levels of management informed about the performance of their specific plans. This phase is achieved by making an analysis of actions carried out and preparing reports to management indicating whether or not their plans are being achieved and whether any corrective action or revisions are required. *The accounts department should be regarded and used as an information bureau.*

It is most important that information offered and provided should be presented speedily in a form which is both concise and easily understood by the recipient. The most onerous task of the accountant is to interpret figures and convert them into a message which will help the management who usually will not be trained accountants.

A workable relationship must be fostered between the accountant and the management with a reasonable degree of give and take. Certain rules suggest themselves:

- (a) Both must use the same language so that the accountant must become bilingual. He may use his own jargon in his own department but must express himself clearly to managers. This requires not only similarity of speech but similarity of thought, and the accountant must understand the managers' problems from their viewpoints.
- (b) When the manager initiates requests for information, the accountant must satisfy the manager by replying to such requests with direct answers, or if the request is the result of a misunderstanding, by correcting the manager's thoughts.
- (c) Certain communications must be initiated by the accountant. The first stage is to organize routine reports where possible. After that, the accountant has the duty of drawing the attention of management to further relevant matters.

The main point of this introduction is that an accountant wishing to undertake management ac-



Mr W. H. Leather

counting must realize the difference in approach needed from other work, such as book-keeping, auditing, taxation and preparation of final accounts. He must learn the techniques of his work but he must also study the problems and attitudes of the managers whom he will serve. To this extent management accounting is a separate accounting skill, and requires in addition the exercise of business judgement. The type of man best suited for this work is one who is basically dynamic and more interested in getting things done than in preparing calculations.

An understanding of this approach is essential to the rest of this paper in which I shall refer to certain practical problems.

Preliminary Investigation

Unlike many accounting problems there is rarely one right solution in this sphere. A system must be made to fit in with the organization and provide individual personalities with their requirements. Help must be given to people not to a system. Before proceeding with any installation it is necessary to study a business and the managers, find out 'how it ticks' and discover the key points of its economics.

It is important to understand the organization structure. Experience will give the management accountant the ability to make a critical appraisal and perhaps suggest improvements. Common causes of weakness are crossed lines of authority and responsibility, and failure to delegate. Yet experience teaches that it is sometimes unwise to be too critical. It may often be desirable to suggest changes to the general system as a first stage but this may not always be practicable or even sensible if the confidence of the management is to be retained or won. If the management have been accustomed to work from certain established information, however inaccurate or misleading this may appear to be, it is usually fatal to replace this until new methods have been accepted as improvements without qualification. The reasons are twofold:

- (a) However inadequate the old method may be regarded, if the management have ability they may have become accustomed to make mental adjustments for defects and draw much more accurate conclusions than the reformer believes to be possible.
- (b) Letting go a familiar method of working is like changing religion. The person concerned must believe in the superiority of the new. The old must not be removed until the new has been accepted. This is particularly true for persons who have not been the initiators of the new methods.

Now I should like to offer some practical advice. Designing and introducing a management accounting system for the first time is not so hazardous as is

often supposed. Accountants are often regarded by works personnel as anything from parasites who are totally unnecessary, to interfering meddlers who do not know what they are talking about. In these cases the accountant is probably aware of this resentment and this does not encourage him to offer his services. What he is usually unaware of is the cause of this resentment. It is more often due to the accountant's failure to make real contact with the works personnel than to taking too much interest in what does not concern him.

Works personnel are nearly always pleased and willing to discuss their problems with the accountant. This is the channel of communication to be opened first to establish mutual confidence. Later, the accountant can put forward his needs. As he gains experience, the accountant will become more expert at conducting these discussions. But a beginner can make a confident start if he is careful in his approach. He must be a good listener, must show a sincere respect for the other man's skills and have a sufficient interest in the personal side of problems rather than the mere records alone. Since later he will have to sell his ideas and probably persuade these people to accept change, he must first discover what their needs are. This is the first principle of salesmanship. It is fatal for an installer to attempt any form of high-pressure selling by just telling them that his ideas will be good for them.

This preliminary investigation is essentially a phase of establishing communications, primarily in the direction of acquisition of information by the accountant. His objective should be to pin-point the main problems on which help is needed which he can only achieve by understanding the management's policy, the nature of the business and its products, and the markets for sales. It ends by construction of the broad design of the plan needed to give management help with these main problems.

Installation Period

The next stage is the preparation of a detailed working plan of installation. The key points will have been determined, but more detailed investigation will be necessary before the design of a system can be finalized.

The clerical procedures will have to be examined in detail, whether the objective is stores control, production control, or the wages structure. These systems will provide much of the basic data for any accounts system, and often they will need revision to provide essential information.

In a manufacturing business it is essential to be able to measure output accurately, first in relation to physical count, then to be evaluated in terms of time values, then in terms of money values. Normally, this data is available particularly when bonus systems are in operation. But occasionally piece rates may exist without records of time values and these will usually have to be provided.

This stage of investigation also will determine the cost centres of a business, or the division into departments or sections for control purposes. This will depend on examination in detail of the organization chart.

When an appraisal of the available data has been made, the system can be designed in detail. This will normally include some form of standard costing and budgetary control, and will aim to show various levels of management comparisons between actual results and what have been accepted as standard results. They may be simple or complicated to operate, but the results must be intelligible to the management. This design has to be carried out by the accountant, and in some situations considerable expertise is necessary, but not always so.

If the system is dependent on standards, the really important stage of their establishment follows the design and requires much co-operation or communication with management. Standards relate mainly to:

- (a) Performance in production which involves utilization of plant, setting out expected output valued in terms of standard hours.
- (b) Expenditure – divided into fixed and variable elements.
- (c) Material usage and standard values.

Much give and take is needed on the first occasion of setting standards and often variances appear immediately, particularly when a schedule of the establishment of employees is drawn up. But it is most important that management makes the final decisions on standards in order that, if revisions are required later, they will not be able to avoid responsibility.

In many cases there will be no precedents for standards and provisional ones may be necessary.

Running and Maintaining a System

After standards have been agreed and arrangements have been made for provision and collection of essential data, the accountant should be able to proceed and run the system. Once 'run-in', the system should be capable of providing the normal requirements of management, whether initiated by the managers or accountant. Full value will only be obtained by co-operation between accountants and all levels of management. Therefore education of management to understand the meaning of statements of results is of paramount importance.

Much must await the stage when the system is running. Managers are usually not so receptive when discussing accounting problems in the abstract, as when figures giving results are available. Regular organized meetings to examine results are often a successful means of dealing with this difficulty.

If well designed, the structure of a system should

not normally need much alteration. But revisions to standards do often present a problem. National wage awards cause trouble, but they will do so in any case to a well-run business and, if large, a revision of standards becomes necessary. Other difficulties which may arise are:

- (a) Variances caused by individual standards requiring revision. This possibility must always be kept in mind when interpreting variances.
- (b) Sections of a business may be reorganized. If this happens adjustments to the system should be made as far in advance as possible.
- (c) Records may be found to be inaccurate. A sense of proportion is required, but major errors will have to be corrected and proper discipline introduced.
- (d) Staff may not be adequately trained by the installer. This is an obvious point but a very important one. Supervision should be maintained for an adequate period.
- (e) Staff may be badly organized and fail to produce accounts on time. A time-table is essential for all members of an accounts department.
- (f) Inadequate analysis of variances may occur. This can only be dealt with by experience but most of such problems can be resolved once they have been understood.
- (g) The information may not be used properly. In this case the accountant has a problem of salesmanship and time may be necessary. He should check that his explanations have been adequate. But information alone will not convert a poor manager into a good one. Paradoxically, the better the manager the more it will help him.
- (h) Technical difficulties may arise in keeping an accurate control account of work in progress. It is essential that no variances are allowed to remain in this account, and if possible they should be prevented from entrance. Examples are extra allowances, modifications, re-routing of work to different machines.

These examples are intended to show that a management accounting system will not run itself as a matter of routine. The management accountant must be always alert to deal with unexpected situations. If he keeps in touch with the events of the business he should be able to anticipate the majority of variances, so that they become, to him, confirmatory rather than informative.

Results – Interpretation and Use

I have prepared two short statements to give examples of conversion of figures into meaning. They have not been designed to illustrate a system in full, nor are the proportions of the figures intended to represent any particular business.

Before consideration of the results the structure of the statements require some explanation. Three

XYZ LTD

SUMMARY OPERATING STATEMENT

	TOTAL	DEPARTMENT		
		A. Foundry	B. Machine	C. Assembly
Output at standard value ..	£ 100,000	£ 50,000	£ 50,000	£ Nil
Actual cost of output	103,950	53,050	48,900	2,000
Total variance	-3,950	-3,050	+ 1,100	-2,000
ANALYSIS OF TOTAL VARIANCE				
Volume (fixed overhead recovery)				
Manning	+ 500	- 500	+ 3,000	-2,000
Lost time:				
Extra allowance	- 500	- 100	- 400	
Waiting time	+ 300	+ 200	+ 100	
Speed of output	+ 1,500	+ 500	+ 1,000	
	+ 1,800	+ 100	+ 3,700	-2,000
Expense				
Rates of pay	+ 150	+ 50	+ 100	
Overtime	-2,500	- 500	-2,000	
Scrap	-2,600	-1,600	- 1,000	
Other overhead expense ..	+ 2,000	- 100	+ 1,100	
	-2,950	-2,150	- 800	
Materials				
Usage	-1,500		-1,500	
Substitution	- 300		- 300	
Metal mix	-1,000	-1,000		
	-2,800	-1,000	-1,800	

SALES ANALYSIS

	TOTAL		Product P.		Product Q.	
	%	£	%	£	%	£
BUDGET						
Sales at standard prices ..	100	100,000	100	70,000	100	30,000
Standard cost of sales ..	87	87,000	90	63,000	80	24,000
Standard profit	13	13,000	10	7,000	20	6,000
ACTUAL SALES						
Sales at realized prices A.		121,000		96,000		25,000
Sales at standard prices B.	100	120,000	100	95,000	100	25,000
Standard cost of sales C.	88	105,500	90	85,500	80	20,000
Gross profit A.-C.		15,500		10,500		5,000

PROFIT AND LOSS ACCOUNT

Standard profit on sales at standard prices - 13 per cent of B.	£ 15,600
Variances	
Sales price A.-B. ..	+ 1,000
Sales mix (87 per cent of B.)-C.	-1,100
Gross profit	15,500
Operating variances	
Volume	+ 1,800
Expense	-2,950
Materials	-2,800
Material price variance ..	- 550
Net profit	11,000

departments only have been included, although in practice others would probably be included in a summary statement.

The link between the operating statement and profit and loss account is the work in progress account. Output, consisting of a heterogeneous number of operations, but all valued at standard, is transferred to work in progress account. In due course, as products are completed, these elements of output correspond to the total standard cost of each product. As these products are sold the standard costs of sales are transferred to profit and loss

account, thus leaving a balance of work in progress in the account. In practice, of course, intermediate control accounts may be introduced but these are ignored in the examples.

The next point which must be understood is that the total variance is made up basically of two elements:

- Over- or under-recovery of fixed overheads due to volume of output being different from standard.
- Expenditure being more or less than standard, after making adjustments to the standards for variable expense.

In the example the total volume variance has been analysed into three basic elements, which are used in the calculation of standard utilization of plant. These are 'manning' related to the hours during which the shops are manned, which could equally well be described as attendance time. A standard allowance is then made for unproductive time described as 'lost time', which of course can be subdivided. Finally, a standard 'operating speed' is established. Variances against these standards may be readily calculated and on this occasion I hope the figures will be accepted.

Expenditure variances should be self-explanatory with the exception of the overtime variance. In the example it has been assumed that standard output has been related to a normal forty-four-hour day-shift. No budget has been included for overtime and so the variance consists of overtime premium costs plus any overtime paid on expenditure treated as fixed.

Materials variances are a form of expense variance and will be dealt with later.

The 'Sales analysis' and 'Profit and loss account' statements should be self-explanatory, provided it is realized that the operating variances relate to the production of the period and selling variances to the sales. In practice, selling and administration expenses will usually be recovered against sales but for simplicity they have not been separated from production overheads.

The imaginary interpretation of the figures which follows is intended to illustrate the difference between a bare statement of figures and their interpretation. This should provide the basis of the real communication between the accountant and management.

The main features, which include assumed hypotheses are as follows:

I. SUMMARY OPERATING STATEMENT

(a) Foundry

The volume variances indicate that during the month the foundry was not fully manned but that standard volume of output was maintained because speed of operation was higher than standard. In practice the reasons would be established, such as sickness, shortage of labour or absence.

Comparison with overtime variance indicates that

substantial overtime was paid, and therefore worked, although the day-shift was under-manned. Normally the extra output from overtime should result in an over-recovery of fixed overheads which exceeds the overtime variance, otherwise it is a very expensive method of manufacturing. In this case the explanation should be provided. A satisfactory explanation might be the completion of rush orders; it would be an unsatisfactory explanation if it was due to bad planning, plant out of balance or unavoidable shortage of labour.

The loss variance for scrap of £1,600 is probably excessive, and an analysis of the main causes should be made as a matter of routine. In a foundry these would relate to castings scrapped before dispatch.

Metal mix variance can sometimes be very important and is due to a different mixture of metal being put into the furnace than as prescribed by the metallurgist. This can happen, for instance, through the substitution of pig iron for scrap metal, and if a shortage of scrap exists it may be temporarily unavoidable. Often this is an important check point.

(b) Machine shop

The volume variances indicate that the machine shop was manned in excess of a normal day-shift and this is confirmed by the overtime loss variance.

The variance due to extra allowances would require explanation, and when these become large an analysis should be prepared as a routine. These are normally due to faulty castings where the metal is too hard or has too large dimensions in each case requiring extra machining. Extra allowances can be granted for other reasons and if they become excessive the management need to check that they were properly authorized.

The overtime variance is large and this would require investigation to establish whether it was wholly justified. If overtime is worked by only a portion of the shop it is important to check that the indirect expenses are limited to a proportionate amount.

Material usage variance often arises through the physical difficulty of issuing the prescribed quantities of raw material, although allowances for cutting will be made in the standards. Stock differences are sometimes included as usage variances. This variance is not calculated by means of a formula but is the sum total of a number of separate items. Analysis and explanation should be a straightforward matter.

Substitution variance similarly can be identified readily. The important point is to establish whether this variance is justified and to ensure that the use of a substitute material is not continued after the normal has become available.

(c) Assembly shop

This example has been included to demonstrate an important principle. If a shop or section has been closed down, or remain empty for a period, it is important that its share of general fixed overheads is not added to other departments. Situations vary in detail, but while they exist the calculation of the unrecovered overheads serves as a reminder to the management of the cost being incurred, if not of expense, of the loss due to unused potential.

2. SALES ANALYSIS

It is hoped that this statement is self-explanatory. Probably all businesses manufacturing or trading in a diversity of products, prepare some form of sales analysis. The standard costing approach does make possible the analysis of important information which avoids misleading percentages which might otherwise arise.

3. PROFIT AND LOSS ACCOUNT

(a) Sales price variance

This variance indicates adjustments to standard selling prices and the main reasons will vary according to the nature of the business.

In some trades where the market is competitive the standard prices may represent an average and the variance will reflect the success of the sales department in this respect.

Another cause of this variance is the allowance of discounts (not cash, which should be separated).

Another cause is due to fluctuations in commodity prices which may affect selling prices of finished products.

If purchased materials are revalued on receipt at standard prices and sales at standard prices, the resulting profit and loss account will give a true picture of manufacturing and trading results within the framework created by the standards. Market fluctuations and their effect will have been isolated and added to the result as variances. Their calculation by other methods often presents difficulties.

(b) Sales mix variance

This variance is caused by the varying rates of standard profit on the different product lines.

(c) Material price variance

This variance arises through conversion of purchases to standard values. It is usually charged direct to the profit and loss account.

Conclusion

The theme of this paper has been the recognition of the function of the accounts department as a source of information and advice on financial matters.

The accountant must virtually tell the management how to mind their business to some extent. This is one reason why professional accountants have often been reluctant to open a new relationship with established clients who provide regular recurring work for auditing and income tax.

I do believe that if this approach is accepted as an idea, all accountants are in a position to contribute something towards management accounting, except, perhaps, those who are already fully preoccupied with specialization in other fields.

Each one should assess his own opportunity ability and facilities and make his maximum effort, for this service in time will be taken for granted.

Experience will develop his ability provided his approach is correct. He should at least reach a point where he recognizes the needs of his client or company and is able to give proper advice on necessary action.

Weekly Notes

New Year Honours

IT is with pleasure that we offer our congratulations to those members of the profession whose names appeared in the New Year Honours List. We are particularly glad, also, to record the award of the C.B.E. to Mr Alan S. MacIver, M.C., B.A., Secretary of The Institute of Chartered Accountants in England and Wales.

The profession was well represented in the list. Among the Knights Bachelor are three chartered accountants: Mr John Douglas Keith Brown, C.A., managing director, Jardine Henderson Ltd, of Calcutta, for services to the United Kingdom community in India; Mr Joseph Latham, C.B.E., F.C.A., deputy chairman, National Coal Board, and Mr Arthur Bertram Waring, D.L., F.C.A., chairman and managing director, Joseph Lucas (Industries) Ltd, of Birmingham.

Five members of the profession receive the C.B.E.: they are Mr John Ainsworth, M.B.E., M.COM., F.S.A.A., F.I.M.T.A., City Treasurer of Liverpool, and a member of the Council of The Institute of Chartered Accountants in England and Wales and of the Council of The Institute of Municipal Treasurers and Accountants; Mr Cornelius Cameron, J.P., F.C.A., secretary, William Hollins & Co Ltd, for political and public services in Nottingham; Mr Walter James Kimpton, F.C.A., Principal Accountant, Admiralty; Mr Brian O'Donoghue Manning, D.L., J.P., F.C.A., a partner in the firm of Gundry, Cole & Co, Chartered Accountants, of London, for political and public services in the County of London; and Mr William Kenneth MacLeod Slimmings, C.A., a partner in the firm of Thomson McIntock & Co, Chartered Accountants, of London, and chairman

of the Development Areas Treasury Advisory Committee.

The O.B.E. has been awarded to Mr A. J. M. Cox, A.C.A., chief accountant and head of internal audit section, finance division, Board of Trade.

A Unit Trust for Charities

A UNIT trust formed specifically to meet the requirements of trustees of charitable bodies has been created called the Equities Investment Fund for Charities. It is to be managed by Charities Investment Managers Ltd operating under the auspices of the Municipal and General unit trust group.

Announcing the formation of the trust, the managers say that its creation is not connected with the recent proposed extension to the trustee investment list of equity shares and unit trust securities. Trustees of charities already have power to invest some of their funds in equities provided Court sanction is obtained. Trustees who plan to take advantage of the new powers proposed will be able to use the new trust for their funds to provide them with a good spread of equity holdings of high calibre.

A feature of the new trust is that income will be distributed quarterly and paid gross. This means that the new trust will not have to reclaim tax from the Inland Revenue. The trust is an open-end cash fund and units will be made available once a month. Directors include the Earl of Limerick and Sir Donald R. Allen, clerk to the Trustees of the London Parochial Charities.

Facts for Employees

THE Economic League has issued some notes in brochure form for management to explain the economic facts of life to their employees. The brochure is called *Tell Them What?* and makes interesting reading for those who have to spend a good deal of time in industry breaking down prejudice and ignorance. Through it all there runs the exceedingly useful point that if ignorance and prejudice is to be broken down in industry the opportunity must be given to employees to adjust their



Mr J. Latham
Knight Bachelor



Mr A. B. Waring
Knight Bachelor



Mr A. S. MacIver
C.B.E.

views, their prejudices and their pride gradually over a period of time. It is not sufficient to state facts boldly nor to assume that the average employee has either any interest in facts or a willingness to acquire even the simplest jargon. The brochure accepts the fact, which is found in many concerns, that the typical employee is suspicious of the boss and his entourage and that he wants to hug his suspicions. He is often more interested in retaining the word 'profits' as an expletive or a word of opprobrium for venting his feelings than he is in obtaining any reasonably precise knowledge as to what gross profits, net profits, retained profits and dividends mean.

The authors of the brochure are not cynical however, in their approach. They emphasize that facts are important and that sincerity of approach is essential. They have found that reactions to economic information often suggests that people are looking as much for frankness as for facts. There is a useful section in the brochure on the feeling of inferiority which many operatives on the shop floor build up over a period of time, not least because they are employed doing so-called dirty work. Such people are capable of inferring a sense of contempt on the part of office workers where none may exist. The fact that they are open to these kinds of emotions emphasizes the need for an exceedingly delicate approach in putting over facts and information. For accountants who may have to deal with human relationships on the shop floor there is a useful and illuminating section on the misconceptions and complete ignorance which may exist on such simple concepts as turnover, sales, costs and overheads. There is grim humour in one heading which reads 'All large figures are equal!'

This little booklet is a useful introduction to the significance of prejudice on the shop floor. The technique used in presenting it is one of question and answer. This aids the eye in following a number of pages of comparatively short and highly readable paragraphs but it has the drawback in some places of leading to a lack of clarity in some of the ideas expressed.

Ten Years of Employment

A SURVEY has been made in the latest issue of the Bulletin for Industry into the trend of employment in the different regions of Great Britain over the last ten years. The survey shows that not only have there been significant changes in the pattern of employment as between one region and another, but that there has also been a significant change in the pattern of employment within each region.

Between the middle of 1948 and the middle of 1958 the number of employees in Great Britain increased by just over 7½ per cent. Growth was slowest in Wales, Scotland and northern England and fastest in eastern and southern regions and also in the south-west. About one-third of the total

increase was in London and the south-east but the rate of growth in this area was no more than the national average. The fastest rate of growth, and the one above the average, was in the two Midland regions. Even in regions of most rapid increase, there have been areas and towns where the expansion has been notably less than in the region as a whole. Employment of women has been increasing more rapidly than that of men. In London and the south-east, and also in the eastern and southern regions, migration has been an important factor in the growth of employment. Between 1951 and 1958 about a quarter of the increase in employees in these southern regions has been due to people moving in. There was little net change in the Midlands and a significant loss in Scotland and Wales.

Industries to show a significant increase in employment were metals, engineering and vehicles, food, drink and tobacco, paper and printing and chemicals. Reductions in numbers employed were recorded in textiles, shipbuilding, leather, fur and pottery. Outside the manufacturing groups, increases of over one million in professional services and distribution were offset by a fall of over half a million in miscellaneous services among which Government service was important. Other significant industries in this group were agriculture and fishing. All regions have benefited from the large growth in distribution services, professional work, insurance and banking.

The Institute of Chartered Accountants of Scotland

PRESIDENT'S DINNER

MR THOMAS LISTER, M.A., C.A., President of The Institute of Chartered Accountants of Scotland, gave a dinner last Wednesday in the Harcourt Room at the House of Commons (by courtesy of Sir James Henderson-Stewart, Bt., M.P.). The guests included Marshal of the Royal Air Force, Lord Tedder, G.C.B., Sir Edmund Compton, K.B.E., C.B., Sir Cecil Crabbe, Sir Harold Gillett, Bt., M.C., Sir Harold Howitt, G.B.E., D.S.O., M.C., Sir Alexander Johnston, K.B.E., C.B., Sir Charles Norton, M.V.E., M.C., Sir Leslie Peppiatt, M.C., Sir Richard Powell, K.B.E., C.B., C.M.G., Sir John Senter, Q.C., Sir Richard Sneddon, C.B.E., Mr Frank Bower, C.B.E., Mr H. Carleton Greene, O.B.E., Mr John Howard, M.P., Mr J. Latham, C.B.E., Mr Ian W. Macdonald, with the Presidents and Secretaries of other professional bodies. There were no formal speeches.

DUKE OF EDINBURGH TO ATTEND INSTITUTE LUNCHEON

The Duke of Edinburgh is to be the guest of the Institute at luncheon in Edinburgh on March 24th, on the occasion of his visit to the city. The luncheon will be held at *The North British Hotel*, and will follow the Duke's tour in the morning of an industrial estate.

I.D.P. Team to Visit the U.S.A.

A TEAM representative of eleven European countries is to visit the United States of America for six weeks during April and May to study the development and use of integrated data-processing methods and equipment in that country. The survey will embrace all types of equipment from simple mechanical aids to modern electronic computers, with particular reference to the solutions open to small and medium-sized concerns.

The visit is being sponsored by the European Productivity Agency, a branch of O.E.E.C., and the participating countries comprise Austria, Belgium, Denmark, France, Germany, Great Britain, Holland, Ireland, Italy, Norway and Sweden.

The team will include five members from the United Kingdom: Mr J. A. Goldsmith, M.A., A.C.A.,

A.C.W.A., of Robson, Morrow & Co, representing The Institute of Cost and Works Accountants; Mr B. A. Maynard, M.A., F.C.A. (Cooper Brothers & Co), representing the British Institute of Management; Mr J. G. Grover, B.Sc.(ECON.), A.C.I.S., deputy manager, O. & M. Department, Courtaulds Ltd, representing the British Computer Society and Group B, British Council for Automation and Computation; Mr M. A. Wright, B.Sc.(ENG.), A.C.G.I., of the National Research Development Corporation; and Mr G. C. Fairbanks, assistant managing director, Elliott Brothers (London) Ltd. The team's executive secretary is Mr R. H. Williams and arrangements relating to the British delegation are being handled by the British Productivity Council.

A report on the visit is to be published by E.P.A. as early as possible after the team's return.

This is My Life . . .

by An Industrious Accountant

CHAPTER 6

TODAY the chairman asked me to examine the customers' credit accounts, as the balance due had been increasing steadily, despite static sales, for the last two years. Had an interesting day. Six senior ledger clerks, all experienced, a good bunch of assistants, modern ledger-posting machines – on the surface all seemed well.

Closer examination showed that postings averaged about ten days behind. The office manager had the job of preparing a daily summary chart of sales, returns, packing charges, cash receipts and discounts, before the previous day was posted, for reconciliation purposes. This monstrous and ancient survival was bedevilled by the fact that the returns were always a day late – the packing charges two – and in the event the monthly statements, bedevilled in turn by amending late entries, were being issued later and later.

I felt rather proud of my tact. No peremptory denunciations, no criticisms of the office manager's tardiness, no aspersion of the Heath Robinson master chart. Just a quiet talk with the office manager and the ledger clerks and a pencil draft of a simple control plan for direct posting. 'I leave this with you as a rough suggestion. Let's meet tomorrow after lunch and we'll polish it up properly.'

Also, a reference to the clerks' practice of keeping secret the various special discount concessions allowed to favoured customers, thus sabotaging their holiday relief staff. 'All concessions to be typed in

from now on. Easier to delegate that way. Ease the heavy load on you men.'

I confidently rehearsed a suitably modest report for the chairman . . . prompt reorganization . . . up-to-date programme. . . . A glance down the staff private accounts seemed devoid of interest, until my eyes bulged suddenly at the last page. Prinny, of course, £4,752 outstanding, going back some eleven months, in transgression of all the rules.

The files explained it in the manner anticipated. Just a matter of having the company pay on the nail for special items, then charge them, net of course, to his account. The trade discount was substantial on the Mercedes and the television set.

The poor old ledger clerk, conscious of guilt, stood erect, but a nerve in his cheek was twitching. 'He didn't like being reminded . . . he always said he'd pay it next week and not to put it on the overdue list.'

It was a time for understanding. 'Never mind,' I told him. 'I'll say the auditors are due to do a spot-check on bad debts on Monday next and frighten him into settlement. That'll settle it quietly.'

(Memo 1. Must watch Prinny . . . he's short of cash. Memo 2. Postpone report to chairman.)

About midday I observed the junior cashier, a carefree type, with three days' growth of beard (it was Monday). Knowing that he lived close by, I sent him home to shave on the spot, with a few smug platitudes on public relations. He's a potential chief accountant, a real good boy, and he came back unabashed to exchange a smooth-chinned grin. (I gather the office staff were annoyed, he having won some house cup or other on Saturday. I must learn to know people as well as accounts, because the text books don't cover all the problems.)

Reviews

Legal Aspects of Foreign Investment

Edited by WOLFGANG G. FRIEDMANN, assisted by RICHARD C. PUGH. (Little, Brown & Co, Boston, Mass.; Stevens & Sons Ltd, London. £7 7s net.)

This compendious volume surveys the basic legal conditions of foreign investment in forty selected countries. Each essay is prepared by a leading expert from the country concerned, and the authors have as far as possible set out the relevant information which a potential investor requires in standard form. There is a brief introduction, a section dealing with the forms of corporate structure; the law relating to foreign participation in domestic companies and that dealing with the status and obligations of a resident foreign-owned company are dealt with in separate sections. The pros and cons of each form of investment are then discussed, as are the main features of the country's company law dealing with shareholders' rights and directors' duties. This legal section is followed by a similar outline of the various exchange regulations, control of imports and the tax structure with particular reference to non-residents. The section on each of the forty countries is followed by a brief but selective bibliography.

The book is rounded off with two full-length essays, the first of which discusses the problems of legal security for international investment, an issue which is of major importance if private as opposed to governmental and U.N. investment is to be seriously revived. The second is an attempt under the heading 'Comparative analysis' to bring out the main features of the information contained in the forty national essays.

This is a handsome volume of nearly 800 pages which will be extremely useful as a work of reference for those who are concerned with overseas investment. If any criticism is to be made, one may ask why the emergent African territories are excluded. No doubt a future edition will fill this small gap.

How to Pay Less Income Tax

by H. TOCH, B.COM. (Museum Press Ltd, London. 18s net.)

This book was written, the author states, on the assumption that nine-tenths of the population pay more tax than they should, partly through their ignorance of the regulation and partly because they cannot rouse themselves to tackle the intricacies and delays allegedly attendant upon claiming allowances and repayments. If these premises are true – and Mr Toch as a former Inspector of Taxes has had ample opportunity for establishing them at first hand – then there must be something inherently wrong with a taxation system which, in order to be scrupu-

lously fair, has to be so complicated that, in the end, it cheats, as it were, so many of the simple citizens it is meant to protect.

Perhaps if the submerged nine-tenths were to read Mr Toch's first-rate exposition, their numbers might become substantially less. In it is all that the ordinary individual needs to know about tax law and practice and, so sure is the author himself of this, that he offers free advice on any general tax problem which, in the reader's opinion, the book does not adequately cover.

Haro illustrates the text in his most felicitous and engaging manner.

Differential Costs and Management Decisions

by D. R. C. HALFORD, O.B.E. (Sir Isaac Pitman & Sons Ltd, London. 15s net.)

'Differential cost' is defined by Mr Halford as the additional cost entailed by a change of activity; this is to identify it to a great extent with marginal cost, while avoiding confusion with the strict marginalist view of cost as the cost of one more unit of production. There is something to be said for Mr Halford's attempt to shy away from the cruder anti-marginalist arguments. But he is in no sense a coward. He states boldly his thesis that:

'The full cost technique *is* wrong in itself.

The marginal cost technique *can be* wrongly used.'

In an admirably aggressive preface he says: 'A business cannot be run in the Hottentot language which has no word for a number greater than two; nor can it be run in an accounting language which persistently mis-translates what managements are trying to do.' Having said this he loses no time in ridiculing the ideas that there is such a thing as 'the' cost of anything or that the full cost of anything is 'the' cost of it. His argument is first beguiling – because of the simplicity of his examples – and then convincing as he proceeds to elaborate the examples. Throughout the book the discussion is centred on a clear-cut graphical presentation which drives each point home.

Mr Halford is concerned, quite rightly, with costing as a means to management decisions and he justifies his theory by general remarks on the making of management decisions under the three headings of: 'Doing something or not doing it', 'Make *versus* buy' and 'Process studies' (i.e. one process against another to achieve the same physical result). In a long final chapter he examines a series of practical applications of differential costs to such management problems as capital projects, haulage cases and pricing and budgetary control. These examples round off his arguments powerfully and enable him to deal in two appendices with some finer points on 'costs and prices' and 'depreciation and return on investment'. The final picture is of a successful onslaught on 'orthodox' costing, which is very necessary if accountants are to be equipped to give

management the information needed to take economic decisions in favour of the future profits of their businesses.

It could be argued that Mr Halford has overstated his case to some extent; his background is the motor industry and this is not necessarily representative of industry as a whole. A case can be made for full costs in jobbing industries and static ones, if these must inevitably remain static. But it is very much to be hoped that accountants as a whole will accept Mr Halford's theory for application in the majority of industries and will not continue to mock the marginal or differential approach because it can occasionally be faulted. An open-minded reader – whether accountant or manager – can hardly spend an enjoyable one and a half hours on this short, concise and pleasantly-written book without being infected by Mr Halford's enthusiasm, logic and conviction.

Budgeting in Public Authorities

Study Group of the Royal Institute of Public Administration. (George Allen & Unwin Ltd, London, 28s net.)

This book, the third in a series prepared by the Royal Institute of Public Administration, financed on this occasion by a grant from the P. D. Leake Trust, has been prepared by a study group of eminent men drawn from both public administration and private industry under the distinguished chairmanship of Dr R. S. Edwards. The fields of administration covered by this book comprise the central government, the hospital services, local authorities and the nationalized industries, and the wealth of detailed information on the methods of preparation, revision and collation of budgets in each authority is a tribute to the painstaking efforts of the group's research officer, the late Miss J. S. Hines.

The early chapters trace the growth of the concept of budgeting from a general forecast of hopes to a developed instrument of administration. The authors are quick to point out that budgeting in the public, as opposed to the private, sector must almost invariably be circumscribed by some fairly rigid limiting factor, such as the total revenue to be derived from specified levels of taxation or from a particular local authority rate. This means that budgets tend to lose their flexibility and to concentrate on how best to deploy limited resources. Nevertheless, the normal disciplines involved in budgeting – making the spenders responsible for the preparation of their sections, ensuring that overall policies have been decided, building in provisions for budget revision and making valid comparisons of actual results with the budgets – can and should be applied.

The authors are evidently not entirely convinced that these criteria are always applied to their best advantage. In discussing capital expenditure budgets it is clear that the central government, scarcely plans for the future at all and can consequently give the hospital services and the nationalized industries little

more than a vague outline of their capital authorizations. Just as there is insufficient overall planning based on a determined future policy, so also does the cash basis of the Government's accounting system fail to provide adequate information to keep check on the major issues of financial policy, and on efficiency in Government spending. Efficiency should be the ultimate objective of budgeting. This is hardly likely to be achieved where authorities are not even allowed to carry over under-spending from one period to the next.

This is a most lucid and readable book, but if there is any criticism it is that the fleeting references to the practices of other countries are too few. The reader would like to know more about how they overcome the difficulties of budgeting on an income and expenditure basis. And again the method of dealing with each of the four fields of public authority in turn in each chapter tends to invite repetition. But anyone interested in the application of budgeting techniques to the public sector will be greatly indebted to the authors of this admirable work, which could be of more than general interest to those concerned with budgeting in the private sector.

Income and Economic Welfare

by S. G. STURMEY. (Longmans, Green & Co Ltd, London, 21s net.)

There has long been a lack of a textbook suitable for the older student who does not require a formal course in economics, but does need some understanding of the workings of the economic system. This brief text is designed to meet the needs of such students taking one-year courses in social studies in which economics is a required subject. Starting with a discussion of the meaning of the concept 'economic welfare', the author then considers the factors responsible for the size of the national product and its distribution. A final section considers the methods and bodies involved in the redistribution of the national product and makes some attempt to stress the subjective character of many of the political decisions in this field that have been made in recent years. The style throughout is readable; there is, except for a few pages, a complete absence of economic terminology.

Wills, Probate and Administration

by B. S. KER, M.A.(CANTAB.). (Sweet & Maxwell Ltd, London, £2 2s net.)

This is a new book written in engaging language which goes far to maintain the interest of the reader in what the author calls a humdrum subject. Besides the matters mentioned in the title, there are thirty-four pages on estate duty which present an excellent introduction to the subject. There is also a chapter on the incidence of estate duty – a much-neglected subject in the ordinary run of textbooks. Students, solicitors' clerks, and trust officers are the more obvious people to benefit from this book but it should be extremely useful to accountants.



Reports of Public Companies

THE ACCOUNTANT

ANNUAL AWARDS, 1960

CLOSING DATE FOR ENTRIES

The *Accountant* Annual Awards for 1960 will be made in respect of reports and accounts laid before companies in general meeting within the year ended December 31st, 1959. One of the Awards will be for the report and accounts of a large company; the other will be made to a 'smaller' company requiring less complex accounts than those of a large group.

Companies are invited to send copies of their reports and accounts (with any chairman's statement circulated to shareholders) for consideration by the Panel of Judges, to: The Secretary, *The Accountant* Annual Awards, 4 Drapers' Gardens, London, EC2.

The closing date for the receipt of entries for the 1960 Awards is February 15, 1960.

The Awards are made to companies whose shares are quoted on a recognized stock exchange in the

United Kingdom, in relation to the form and contents of their reports and accounts – particular importance being attached to the adequacy of the information given and its presentation.

Winning Companies in Previous Years

The 1959 Awards were presented by Sir Harold Gillett, Bt., M.C., F.C.A., Lord Mayor of London, 1958–59, to The British Oxygen Co Ltd and to General Refractories Ltd.

Previous winning companies were: 1954 – Thos. W. Ward Ltd. 1955 – Ford Motor Co Ltd; Unilever Ltd. 1956 – Associated Electrical Industries Ltd; Folland Aircraft Ltd. 1957 – The United Steel Companies Ltd; Trawlers Grimsby Ltd. 1958 – Peninsular & Oriental Steam Navigation Co; John Dale Ltd.

Finance and Commerce

Camp Bird

SHAREHOLDERS in Camp Bird Ltd, may be congratulated if they can follow at all closely the affairs of the company and its finances. The latest accounts, to April 30th last, have even misled the Press whose 'serious inaccuracies' prompted an explanatory circular from the board to shareholders.

One immediate difficulty is the company's now extensive interests. Camp Bird was once just a mining company owning the Camp Bird mine in Colorado. The mine became unprofitable but the company still owns the property and under another management, is spending heavily on its redevelopment. A consulting engineer's report included with the accounts summarizes the year's development work, gives new figures as at October 1959 for 'Indicated ore reserves' with gold, silver, lead, copper and zinc ore content together with the value of the metal content of the ore reserves, the net smelter value per ton, and the total net smelter value of the 777,142 tons of indicated reserves.

Final profitability, however, has still to be proved in actual working although that testing time is looking nearer. There is already a stockpile of broken ore and

the mill, on which a start is to be made in the spring, should be in full production, it is stated, by the end of next August.

Qualification

Meanwhile, the auditors are faced with 'Development expenditure' on which it was their duty to report. They draw attention to the fact that no amortization provision has been made and in the absence of earnings resulting from the expenditure are unable to assess the prospects of recovery of the expenditure.

It seems that there has been a tendency to read too much into this reservation which, in fact, continues similar reservations in the past; and the board, in an explanatory circular, commented that the auditors 'are not experts in mining (or cold forging) and are not in a position to assess values of this nature'.

With the reference to cold forging, the view of the company moves to a much wider field – its considerable interests in industry, one of them Cold Forging Ltd. Others include a controlling interest in a West German tool-making business, interests in electronic reproducers, rubber plastics, automatic

CAMP BIRD LIMITED AND SUBSIDIARIES
Consolidated Profit and Loss Account for the year ended 30th April, 1958

16 months ended 30th April, 1957	£	£	£
141,987			79,708
212,505			466,000
192,614			125,908
108,077			347,206
2,673			—
657,856			1,018,822
180,215		189,405	
41,611		146,167	
—		19,023	
46,406		84,015	
1,141		1,372	
8,681		—	
278,054		439,982	
379,802		578,840	
254,680		254,950	
125,122		323,890	
5,973 (loss)		26,600	
131,095		297,290	
248,336		134,395	
3,417		19,974	
251,753		154,369	
382,848		451,659	
—		42,761	
382,848		408,898	
10%			
65,949			
10%			
112,530			
—			
50,000			
228,479			
134,395			
19,974			
£154,369			
Profit less losses on realisation of investments and sundry receipts			
Profit on partial realisation of assets of a subsidiary acquired during the year			
Dividends (gross)			
Trading profits less losses of subsidiary trading companies, subject to depreciation			
Lease Earnings to 8th December, 1956—Camp Bird Mine			
Less: Administration Expenses			
Depreciation of fixed assets			
Interest on secured loans			
Bank and other interest			
Formation expenses of subsidiaries			
Amount written-off investments of a subsidiary			
Consolidated Profit before Taxation			
Deduct: Taxation (see note 1)			
Consolidated Profit after Taxation			
Less: Proportion of Profits less Losses of Subsidiaries attributable to outside shareholders			
Consolidated Profit after Taxation attributable to the Members of Camp Bird Limited			
Add: Balances brought forward:—			
Camp Bird Limited			
Subsidiary Companies			
Giving a total available to the Members of Camp Bird Limited			
Deduct: Premiums on acquisition of shares in subsidiaries written-off in the accounts of the holding company			
Less: Appropriations in Accounts of Holding Company:—			
Dividends less Tax:—			
First Interim of 68% on 4,274,025 Shares, paid 30th November 1957			
Second Interim of 33% on 4,282,196 Shares, paid 25th March, 1958			
Proposed Final of 10% on 4,282,196 Shares			
For Incorporation of a Pension Fund			
Balance unappropriated carried to Consolidated Balance Sheet:—			
Camp Bird Limited			
Subsidiary Companies			

The notes on pages [p. 50] form part of these accounts

CAMP BIRD LIMITED AND SUBSIDIARIES
Consolidated Profit and Loss Account for the year ended 30th April, 1959

30 April, 1958	£	£	£
666,709			578,840
160,290			
69,293			
25,367			
347,633			254,950
319,076			323,890
46,925			26,600
260,737			
11,414			
272,151			297,290
304,750			
(7,460)			
150,315			
48,610			
198,925			154,369
471,076			451,659
—			42,761
471,076			408,898
123,113			
137,490			
260,603			
150,449			
60,024			
£210,473			
Income Tax (1958 after relief of £130,000 in respect of amounts written off investments in previous years)			
Profits Tax			
Overseas Taxation in excess of relief			
CONSOLIDATED PROFIT AFTER TAXATION			
Less: Proportion of Profits less Losses of Subsidiaries attributable to outside shareholders			
Consolidated Profit after Taxation attributable to Members of Camp Bird Limited			
Dealt with in:—			
Camp Bird Limited			
Subsidiary Companies			
Add: Balances brought forward:—			
Camp Bird Limited			
Subsidiary Companies (including £36,096 in respect of subsidiaries not previously consolidated)			
Giving a total available to the Members of Camp Bird Limited			
Deduct: Premium on acquisition of shares in subsidiaries written off in the accounts of the Holding Company			
Less: Appropriations in Accounts of Holding Company:—			
Dividends less Tax:—			
Interim of 10% on 4,282,196 Shares paid 31st March, 1959			
Proposed Final of 10% on 4,489,467 Shares			
Balance unappropriated carried to Consolidated Balance Sheet:—			
Camp Bird Limited			
Subsidiary Companies			

The notes on pages [p. 50] form part of these accounts

Consolidated Balance Sheet as at 30th April, 1959

[illegible]

The notes on pages [p. 50] form part of these accounts

Old Jewry,
London, E.C.2.
7th December, 1959.

vending machines, a paper mill business, and a wide variety of other lines of action.

Some of these businesses, moreover, are not just the static holdings of an industrial holding company but are bought and sold, sometimes in the same accounting period. Financings (Southern) Ltd was bought for £157,500 and sold at a profit of £103,053 of which £83,816 comes into these accounts. The directors' report refers to the sale of Hampton & Sons Ltd, and an interest in R. H. Windsor Ltd, the latter at a 'substantial profit'.

Explanation

It was especially at this point that the city editors went astray, leading the board to open its explanatory circular with the reference to 'the serious inaccuracies in the interpretation' of the accounts appearing in a section of the financial Press.

'Several newspapers', states the circular, 'reported that, from the group net profits of £666,709, the highest on record, "profits on the realization of interests in subsidiaries" accounted for £656,269, thus implying that the operational companies of the group earned only £10,000. No such arithmetical deduction could properly be made. In fact the trading profits of the operational companies were themselves a record of £385,203 (1958 - £347,206).'

The material from which the city editors drew the 'serious inaccuracies' can be seen in this week's reprint and Note 1 on the composition of the profit. It also happened, however, that the form of the consolidated profit and loss account was changed and we are therefore including last year's account for comparison. The following is an extract from the circular showing the major sources of income over the last three years.

CAMP BIRD LIMITED

EXTRACT FROM EXPLANATORY CIRCULAR TO SHAREHOLDERS

The major sources of income over the last three years have been as under:

			Capital Profits	Trading Profits of Operating Companies
1956/57 (16 months)	..	..	£ 12,505	£108,077
1957/58	..	..	66,000	347,206
1958/59	..	..	36,269	385,203

The real operation of a finance company is represented by the combination of all sources of profit and it is quite improper to regard the earning of one form of profit as a criterion of the success or otherwise of the company.

The circular refers to 'numerous difficulties in presenting a consolidated profit and loss account in the same form as previously'. One problem is illustrated:

'the purchase of a company making a trading loss may be undertaken because there is a greater capital profit to be obtained in the sale either of the company *in toto* or of some of its component assets.

To separate such items cannot be a true reflection of the transaction from a group point of view'.

Difficulties

To add to shareholders' difficulties, the accounts are accompanied by an auditors' report that leaves unsolved queries. Reference has already been made to the reservation on mining development expenditure. There are further reservations, however, in the reports by other auditors of certain of the subsidiaries to which the Camp Bird auditors draw attention, and in regard to which nothing seems to have been done by the board, either in its report or in the later circular, to resolve the difficulties which these reservations must present to shareholders. This is a matter for justifiable criticism. Qualifications of this nature should be dealt with by directors in their report on the accounts which have merited the qualification.

One of the Camp Bird subsidiaries is Hartley Baird Ltd, whose auditors qualify their report at considerable length; these accounts will form the reprint next week.

At the Meeting

Much of the time at the Camp Bird annual meeting was taken up with the chairman's denunciation of Press comment on the accounts. Mr Dalgleish's feeling was that such treatment of the company's accounts deserved the attention of the Press Council. Shareholders, however, felt that the Press comment the accounts had received was probably more a matter of poor public relations. Discussion on that point concluded with Mr Dalgleish saying that it appeared to be the wish of the meeting that the suggestion of a Press conference should be adopted.

The chairman introduced at the meeting the possibility of a change in the company's status from a financial to an investment company. Such a conversion, he said, might mean a short-term reduction in dividends. The dividend question, he added, had been one of some concern to the board. It had been possible to keep to the 20 per cent level fixed as a reasonable return by resorting to various deals which had proved successful and had provided funds to meet the payment. Further details of the board's plans are expected shortly.

In the course of the discussion one member said that shareholders would be in a better position to come to a decision on the suggested change if they could be provided with a value of the true assets of the company.

Next Week's Reprint

The accounts of Hartley Baird Ltd will provide the subject of next week's reprint.

CITY NOTES

A MASSIVE turnover in the stock-markets greeted the New Year. Early this week, business was said to have matched the volume experienced immediately after the General Election. Favourable comment on the economic and industrial outlook for the new decade touched off a renewed buying spree and share prices rose sharply. Some profit taking developed later, however, and brought relief to an equity market seriously short of stock.

A reasonable setback from present levels would not come amiss. The rise in equities has recently become a little too fierce for comfort, in the opinion of most dealers in the market, as well as of more serious investment commentators. The market is used to discounting the future some months ahead but the attempt to discount a decade of prosperity must clearly involve speculation to a major degree.

There is, at the same time, justification enough for confident stock-markets. Signs are not lacking of a strong improvement in the heavy industries and the steel industry, in particular, is now confident of the immediate future. Improvement in shipbuilding orders and in shipping freight rates also provide encouraging signs.

Steel company reports issued this week have been uniformly confident and from the engineering trades generally reports of improving order books are now commonplace.

While there is a fair basis for a firm equity market the investment accent will remain on that section.

RATES AND PRICES

Closing prices, Wednesday, January 6th, 1960

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Oct. 30	£3 7s 8.53d%	Dec. 4	£3 10s 7.23d%
Nov. 6	£3 7s 4.62d%	Dec. 11	£3 11s 6.91d%
Nov. 13	£3 7s 9.55d%	Dec. 18	£3 12s 10.50d%
Nov. 20	£3 7s 11.96d%	Dec. 24	£3 13s 8.82d%
Nov. 27	£3 7s 11.95d%	Jan. 1	£3 14s 6.24d%

Money Rates

Day to day	2-3½%	Bank Bills	
7 days	3-3½%	2 months	3 ½-3 ¾%
Fine Trade Bills		3 months	3 ½-3 ¾%
3 months	4½-5%	4 months	3 ½-3 ¾%
4 months	4½-5%	6 months	3 ½-3 ¾%
6 months	4½-5½%		

Foreign Exchanges

New York	2.79 1/8-80	Frankfurt	11.67 1/8-11
Montreal	2.67 1/2-1	Milan	1737 1/2-8 1/2
Amsterdam	10.55 1/8-1	Oslo	20.01-1 1/2
Brussels	139.67 1/2-68 1/2	Paris	13.73 1/2-1
Copenhagen	19.32 1/2-1	Zürich	12.11-1 1/2

Gilt-edged

Consols 2½%	48 1/2xd	Funding 4% 60-90	93 1/8
Consols 4%	72xd	Savings 2½% 64-67	84 1/8
War Loan 3½%	64 1/8	Savings 3% 55-65	92 1/8
Conversion 3½%	64 1/8	Savings 3% 60-70	82 1/8
Conversion 3½% 1969	88 1/8	Savings 3% 65-75	76 1/8
Exchequer 5½% 1966	104 1/2	Treasury 2½%	47 1/8
Funding 3% 66-68	84 1/2xd	Treasury 3½% 77-80	78 1/2
Funding 3% 59-69	84 1/8	Treasury 3½% 79-81	78 3/8
Funding 3½% 99-04	71xd	Victory 4%	96 1/2

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.

Philipson-Stow v. C.I.R.

In the Court of Appeal - November 20th, 1959
(Before THE MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice SELLERS, and Lord Justice HARMAN)

Estate duty - Property abroad - Immovable property - English will - Trust for sale and conversion - Property retained - Deceased having life interest - Succession Duty Act, 1853, Section 2 - Finance Act, 1894, Section 2 (2) - Settled Land Act, 1925, Section 78 - Finance Act, 1949, Section 28 (2).

The deceased was a tenant for life under residuary trusts created by the will of his father, who died in 1908, and who at the date of his death was domiciled in England. Among the residuary assets was a farm in the Union of South Africa. The will declared that the testator had an English domicile, and that it was his wish and intention that his will should be construed and operated according to the law of England. By clause 25 the residue, wheresoever situate, was devised and bequeathed to the trustees for sale and

conversion, but with the fullest power and discretion to postpone. The ultimate residue was to be held by the trustees as if the money representing it was capital money arising from the testator's settled estates, which were in England, and which he had devised to the use of his wife for life, and then to his sons in tail male. The trustees retained the farm, and paid the income therefrom to the testator's widow during her lifetime, and after her death to the eldest son.

The Inland Revenue claimed estate duty, on the death of the son, in respect of the farm. It was contended by the trustees, on the other hand, that as the farm was immovable property abroad, the proper law governing its devolution was the law of South Africa; and that no liability to estate duty arose.

Held (affirming the judgment of Mr Justice Upjohn) (Lord Justice Harman dissenting), on the death of the son the disposition of the farm was regulated by the testator's will; and the law governing these dispositions was English law; and therefore the farm was liable to estate duty.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Publicity for the Profession

SIR, - My disappointment on hearing that the broadcast in the B.B.C. Network Three programme on November 30th on accountancy as a possible career had been cancelled was, I am sure, shared by many of your readers.

From inquiries made at the B.B.C. it appears that no arrangements for broadcasting this talk at a later date are at present contemplated, and unless such arrangements can be made a most valuable opportunity of publicizing the profession amongst those considering possible future careers will have been lost. It is to be hoped, therefore, that the Council will do everything possible to ensure that this talk is included in the present or any future series.

How badly this publicity is needed can be judged from a list of boys leaving a large grammar school at the end of the last summer term which came into my hands recently. Out of sixty-nine leavers, only one proposed to enter the accountancy profession compared with ten for engineering, six for insurance, five for teaching and three for banking.

Yours faithfully,

London, EC2.

A. J. COOKE.

Professional Education

SIR, - I was very glad to see the publication in your columns of the lecture delivered by Dr A. J. McIntosh to the Royal Society of Arts on the subject of 'Commercial and higher professional education', and I was surprised when I read the letter from Mr E. H. V. McDougall, the Secretary of The Institute of Chartered Accountants of Scotland, in your issue of December 19th, concerning it.

Dr McIntosh has already made it clear that he was not dealing in his lecture with education outside England and Wales and it seems rather profitless for Mr McDougall to pursue this matter in relation to Scotland. In another context I am sure that the valuable work done by the 'Lister Committee' on examination and training of apprentices deserves full recognition.

In these skirmishes, however, one is apt to lose sight of the content of this excellent lecture in which Dr McIntosh gave a comprehensive account of the development of commercial and professional education in England and Wales showing the part played by technical colleges and colleges of commerce. He

also made a review of recommendations for future development. It will be clear to all those who have read this lecture that technical and commerce colleges have already made a significant contribution in the field of commercial education and, with the goodwill and co-operation of the appropriate professional bodies, a much greater contribution can be made in the future towards education in the profession of accountancy.

That the Council of The Institute of Chartered Accountants in England and Wales is alive to these possibilities is shown by the careful inquiries at present being made by the Institute's committee for education and training. This is a most encouraging sign and those of us who are interested in professional education will be awaiting its findings with interest.

Yours faithfully,

Swansea.

ARNOLD FRYER, F.C.A.

SIR, - I refer to the lecture by Dr McIntosh which you published in your issue of December 12th, 1959, and I suggest that the lack of popularity of the Ordinary National Certificate courses in commerce is largely owing to the following factors:

- (1) Exemption from professional Preliminary examinations is by no means guaranteed to those who pass the Ordinary National Certificate. Only a few bodies grant exemption from part of their Intermediate on the strength of it. Most students prefer to study for the examinations of the better known accountancy and secretarial institutions as these are known by all employers. The unfortunate fact here is that the daily work of so many students is not related to the theoretical study required for these examinations. It is important that the value of a qualification such as the Higher National Certificate or Dip. Com. should be well publicized to all employers and contain subjects applicable to the wide field of business education, e.g. work study, market research, industrial psychology, etc.
- (2) Recruitment for many appointments, including management trainee jobs, is becoming increasingly restricted to applicants with university degrees. The acceptance by all employers of the Dip. Com. would do much to counter this bias, and hence raise the prestige of the Ordinary National Certificate. However, I think it is true to say that in many of the posts, the employer is looking for personal qualities in candidates which they believe are most probably to be found in the university man or woman. I consider this to be the case, especially in commercial jobs, as they usually involve contacts with people, and personality factors must therefore predominate. The adoption of sandwich courses and the creation of a better corporate atmosphere in technical colleges could do much to eliminate this factor.
- (3) The lack of appreciation by smaller firms of the qualifications conferred by the existing proliferation of professional societies, to whose examinations the Ordinary National Certificate can lead. A measure to counter this could be the creation

of industrial education liaison officers by, let us say, a 'consortium' of the B.I.M., Ministry of Education and F.B.I., to co-ordinate the 'on-the-job' training and the commercial education of employees in smaller firms whose size does not merit the establishment of a training and education department.

Yours faithfully,

Kirkuk, Iraq. J. H. P. PARR, B.A.(COM.).

SIR, - I read with interest Dr A. J. McIntosh's lecture printed in your issue of December 12th.

With regard to his comments concerning the present-day influence of the professional associations (page 559), I would draw his attention to the fact that he has omitted the name of one recognized body from his list. This is the Corporation of Secretaries whose examination requirements differ very little from those of the Institute. Professional jealousy seems to be at the root of a reluctance to recognize

the facts, which is a pity from the point of view of the profession as a whole.

Yours faithfully,
COMMERCIAL MANAGER.

The Artist and the Revenue

SIR, - I should be most grateful if some of your readers could help me by suggesting the basis on which a painter of pictures can come to terms with the Revenue. An ex-Inspector of Taxes suggested to me recently that the Revenue were not interested unless the artist was making a profit.

Obvious expenditure in running a studio, e.g. part Schedule A, lighting, heating, cost of canvases, frames, paints, etc. - are fairly straightforward, but other expenses such as travelling, particularly if the scene to be painted is in some foreign country, are rather less obviously necessary to the Inspector than they are to the painter.

Yours faithfully,
N. H. D.

Notes and Notices

THE ACCOUNTANT

Index to Vol. CXLI: July-December 1959

The general index to Vol. CXLI - July to December 1959 - is published with the present issue. The parts of this volume, with the index, can now be sent for binding.

PROFESSIONAL NOTICES

MESSRS OGDEN, HIBBERD BULL & LANGTON, Chartered Accountants, announce that as from January 1st, 1960, they have admitted Mr J. PATRICK OGDEN, A.C.A., to partnership. Mr J. P. OGDEN is the younger son of Mr W. E. OGDEN and a great-grandson of Mr W. T. OGDEN, the founder of the firm.

MESSRS J. & A. W. SULLY & Co, Chartered Accountants, of 14 Broad Street, South Molton, and of Prudential Chambers, High Street, Barnstaple, announce that they have admitted into partnership as from January 1st, 1960, Mr ERNEST CHARLES NUNN, A.C.A., who has for some years been a member of their staff.

MESSRS J. & A. W. SULLY & Co, Chartered Accountants, of 31 Sadler Street, Wells, announce that Mr W. B. WEVELL, A.C.A., retired from the firm on December 31st, 1959. The practice will be continued by the remaining partners.

MESSRS MACNAIR, MASON, EVANS & Co, Chartered Accountants, of Capel House, 62 New Broad Street, London, EC2, announce that Mr H. H. MASON, F.C.A., who was one of the founders of the firm in 1909, retired from partnership on December 31st, 1959. He will remain available in a consultative capacity.

MESSRS LEONARD LANE, SCOTTEN & Co, Chartered Accountants, of 34/40 Ludgate Hill, London, EC4, announce that Mr P. F. D. CORNISH, A.C.A., who has been associated with the firm for some years, has been admitted as a partner as from January 1st, 1960.

MR JAMES D. PEART, C.A., announces that as from January 1st, 1960, his address is Dominion House, 110 Fenchurch Street, London, EC3. Telephone: Royal 4824.

MESSRS JOHN GORDON, HARRISON, TAYLOR & Co, Chartered Accountants, of Leeds and Harrogate, announce that Mr W. BERNARD LINDLEY, F.C.A., retired from the partnership on December 31st, 1959, to enable him to devote more time to his other interests. The practice will continue to be carried on under the same name by the remaining partners, together with Mr J. M. L. JAEGER, B.A., A.C.A., who served his articles with the firm and who has been admitted into the partnership as from January 1st, 1960.

MESSRS R. F. MILLER & Co, Chartered Accountants, of Ramsden Square, Barrow-in-Furness, and Brogden Street, Ulverston, announce that Mr W. PROCTER, A.C.A., who served his articles with the firm and has since been a member of the staff, has been admitted a partner. The practice will continue to be carried on at Barrow-in-Furness and Ulverston under the same name as previously.

MESSRS EVERETT, MORGAN & GRUNDY, Chartered Accountants, of Bush Lane House, Bush Lane, Cannon Street, London, EC4, announce that as from January 1st, 1960, Mr R. OWERS, A.C.A., has been admitted to the partnership.

MESSRS FRANK HISCOCKS & Co, Chartered Accountants, of 26 Exchange Street East, Liverpool, 2, announce that as from January 1st, 1960, they have taken into partnership Mr WILLIAM B. HISCOCKS, A.C.A. The style of the firm remains unchanged.

MESSRS EDWARD THOMAS PEIRSON & SONS, Chartered Accountants, of 13 Eaton Road, Coventry, announce that as from January 1st, 1960, they have taken into partnership Mr KENNETH SANKEY, F.C.A., who has been with the firm since 1939. The style of the firm remains unchanged.

MESSRS A. & J. ROBERTSON. Chartered Accountants, 33 Charlotte Square, Edinburgh, 2, and 34 Clement's Lane, Lombard Street, London, EC4, announce that Mr GEORGE F. DAVIDSON, C.A., has been assumed a partner of the firm as from January 1st, 1960.

MESSRS BRIGHT, GRAHAME MURRAY & Co, Chartered Accountants, of 61 Portland Place, London, W1, announce that Mr MAURICE CUTNER, A.C.A., became a partner in the firm on January 1st, 1960.

MESSRS F. J. BAGLOW & Co, of Newport, Mon., announce that as from January 1st, 1960, their offices will be at 14 Baneswell Road, Newport, Mon. Telephone: 64710.

MESSRS GOODIER, SMITH & Co, of 92 New Cavendish Street, London, W1, announce that as from January 1st, 1960, they have taken into partnership Mr P. H. BENEDICT, A.C.A., who has been a member of their staff for some years. The style of the firm is unchanged.

Appointments

Mr Robert W. Young, F.C.A., has been appointed chairman of Moler Products Ltd.

Mr P. M. Lambirth, F.C.A., has been appointed a director of Edmunds, Walker & Co Ltd.

Mr D. E. Bristow, A.C.A., has been appointed managing director of G. & C. Finance Corporation Ltd.

Mr R. H. H. Edgcumbe, F.C.A., has been appointed managing director of William Warne & Co Ltd.

Mr K. N. Jeffery, A.C.A., has been appointed a director of St Albans Rubber Co Ltd.

Mr W. A. Kirk, A.C.A., has been appointed chief accountant of Alex Findlater & Co Ltd.

Mr W. Scott, C.A., chief accountant of Metropolitan-Cammell Carriage & Wagon Co Ltd, has been appointed a member of the board and joint secretary of the company. He will continue as chief accountant.

Mr D. L. d'A. Willis, M.A., A.C.A., has been appointed a managing director of Lazard Brothers & Co.

Mr J. H. Lawrence, F.C.A., has been appointed to the board of Glenfield & Kennedy Holdings Ltd.

Mr John B. Purkis, D.F.C., F.C.A., has been appointed commercial executive to the packaging division of Albert E. Reed & Co Ltd, and a director of Medway Paper Sacks Ltd and Reed Corrugated Cases Ltd.

Mr Peter W. Glassborow, F.I.A., F.S.S., has relinquished his appointment as Government Actuary in the Sudan and has returned to London to join Mr Gordon A. Hosking, F.I.A., A.T.I.I., F.S.S., F.I.S., in his practice at 11-12 Finsbury Square, London, EC2.

OBITUARY

William Taylor Barry, A.C.A.

It is with regret that we record the death, at the age of 66, of Mr William Taylor Barry, A.C.A., who was for almost twenty-five years Accountant-General of the Supreme Court of Judicature of Northern Ireland.

Educated at Rosetta National School and Belfast College of Technology, Mr Barry was admitted an

Associate of the Irish Institute in 1919. He was appointed factory accountant in the Ministry of Munitions in 1918, and was later transferred to the cost investigation department of the Admiralty.

Joining the staff of the Accountant-General of the Supreme Court as a first class clerk in 1921, he was promoted to chief clerk in 1928 and became Accountant-General in 1935.

ESTATE DUTY ON WIDOWS' PENSIONS

The Association of Superannuation and Pension Funds state that following discussions with the Estate Duty Office on aspects of the assessment of estate duty on widows' pensions, the position is now as follows:

(a) *Where the pension is payable during the lifetime of the widow and is not cancelled in the event of her remarriage.*

Funds not offering an actuarial valuation may value the pension on the basis of the Succession Duty Act tables in order to obtain an indication of the value of the pension for estate duty purposes.

If the resultant figure is over £3,000, the Estate Duty Office on application being made, would be prepared to furnish their opinion of the market value of the pension for estate duty purposes.

The Estate Duty Office will base their assessment on tables supplied by their actuarial advisors. These tables, which it should be added are not available to the public, being prepared for the internal use of the Estate Duty Office only, make allowance for adjustments to cover changes in interest rates.

(b) *Where the widow's pension is non-assignable and ceases on remarriage.*

As a result of representations made to them the Board of Inland Revenue now accept the view that a widow's pension which ceases on the widow remarrying has a relatively low market value for estate duty purposes. Normally the value of such pensions will be assessed by the Estate Duty Office at approximately two years' purchase but, in any case where the widow is substantially over the age of 60, slightly different considerations might have to be taken into account. An assessment on this basis can, of course, only apply where the payment of the pension is not guaranteed for a minimum number of years irrespective of the widow's remarriage.

Where there is payment for a guaranteed period the value must obviously be greater than that mentioned above.

At the time of discussing the position with the Estate Duty Office it was understood that all cases awaiting assessment would be dealt with on the new basis.

FUNCTION OF MANAGEMENT

'The function of management in industry and commerce', will be the subject of a paper to be presented by Sir Frederic C. Hooper, managing director of Schweppes Ltd, on January 20th at the Royal Society of Arts. Sir Nutcombe Hume, K.B.E., M.C., chairman of the Charterhouse Group Ltd, will preside at the meeting, which will commence at 2.30 p.m.

Application for tickets of admission should be addressed to the Secretary, Royal Society of Arts, John Adam Street, London, WC2.

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REVALUATION OF ASSETS

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**INTERNATIONAL HOSPITAL
FEDERATION****Retirement of Captain J. E. Stone as
Hon. Secretary**

Captain J. E. Stone, C.B.E., M.C., F.S.A.A., F.H.A., has now retired from the office of honorary secretary and treasurer of the International Hospital Federation, a position he had occupied since 1948. He will, however, continue to be a member of the Council of Management.

For many years, until his retirement in 1958, Captain Stone served as director of the division of hospital facilities of King Edward's Hospital Fund for London. A pioneer of departmental cost accounting for hospitals he introduced such a system at St Thomas's Hospital as long ago as 1920.

In addition to his varied services in the field of hospital management in the United Kingdom, Captain Stone has always taken the keenest interest in international hospital affairs.

CENTRAL LONDON DISCUSSION GROUP

The next meeting of the Central London Discussion Group of the London and District Society of Chartered Accountants will be held at *The Lamb and Flag*, 33 Rose Street (off Garrick Street), Covent Garden, WC2, next Thursday at 6 for 6.30 p.m. Mr M. Striker, F.C.A., will lead the discussion on 'Back duty'.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group will be held on Wednesday next, January 13th, at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'The National Insurance Act, 1959', and it is hoped that a pension scheme consultant will introduce the subject.

**THE INSTITUTE OF COST AND WORKS
ACCOUNTANTS**

'Success story' will be the subject of a talk to be given by Mr N. C. N. Housden, F.C.A., at a meeting of the Enfield and District Sub-Branch of The Institute of Cost and Works Accountants to be held next Tuesday, at 7.30 p.m., at the Eastern Gas Board lecture room, Sydney Road, Enfield.

**THE INSTITUTE OF INTERNAL AUDITORS
Birmingham Chapter**

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held at *The Cambridge Inn*, Cambridge Street, Birmingham, on January 14th, at 6.30 p.m., preceded by tea at 6 p.m. Mr D. O. Armitage, F.C.A., of Cadbury Bros. Ltd, will speak on 'Accounting for debtors', and interested non-members will be welcome.

The secretary of the Chapter is Mr G. T. L. Judson, Chief Internal Auditor, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

**THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF LONDON**

The following meetings of the London Students' Society will be held during next week:

Tuesday, 6.30 p.m., at Reigate: Lecture on 'Taxation', by Mr V. S. Hockley, B.COM., C.A., A.A.C.C.A.

Saturday, 10 a.m., at Luton: Lectures on 'Company accounts' and 'Partnership accounts', by Mr V. S. Hockley, B.COM., C.A., A.A.C.C.A.

Students are reminded that the Library and Study Room at Spencer House, South Place, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The Study Room is available in the evening by prior arrangement.

MANAGEMENT ACCOUNTING COURSE

A one-week course on 'Management accounting' has been arranged by the Department of Management Studies of The Polytechnic, Regent Street, London, W1. The course, which commences on January 18th, will consist entirely of case studies and will include a session on 'Business games'.

Further details may be obtained from the Department of Management Studies, St Katharine's House, 194 Albany Street, London, NW1.

CONVERSION STOCK ISSUE

The Treasury have announced that holders of 2 per cent Exchequer Stock, 1960, of which £448 million is outstanding, and 3 per cent Exchequer Stock, 1960, of which £200 million is outstanding, are to be offered exchange of their holdings into a new 5 per cent Conversion Stock, 1971.

Holdings will be exchanged at par on February 15th, 1960, but a cash payment of £1 10s will be made for each £100 nominal of 2 per cent Exchequer Stock, 1960, or 3 per cent Exchequer Stock, 1960, tendered for exchange.

Full particulars of the offer have been posted to holders; the offer will remain open until next Monday, January 11th.

ANNOTATED TAX CASES

Part 3 of Volume XXXVIII of the *Annotated Tax Cases* edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments, of the following cases: *Henry Briggs, Son & Co Ltd v. C.I.R.* (Ch.D.); *Bradbury v. United Glass Bottle Manufacturers Ltd* (C.A.); *In re Hollebone's Agreement* (C.A.); *Hood Barrs v. C.I.R.* (Ch.D.); *Tollemache Settled Estates Trustees v. Coughtrie* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

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Penalty Provisions of the Income Tax Acts

IT is often said, and it is generally true, that in the English Courts a man is innocent until he is proved guilty, but an exception from this laudable principle exists in the penalty provisions of the Income Tax Act, 1952. This is not the only reason why those provisions are over-ripe for reform: many of them date back as far as the Income Tax Act, 1842, and the passage of years during which the burden of taxation has been vastly multiplied has been destructive of such merit as they may ever have possessed. By today they have in some cases achieved an obscurity baffling to those who have to interpret them, and nowhere is clarity more desirable than in a taxing statute. In the circumstances, the reviews of the provisions made by The Institute of Taxation, by the Taxation Committee of The Institute of Chartered Accountants of Scotland, and by The Association of Certified and Corporate Accountants and the representations made by the bodies in question to the Board of Inland Revenue are very welcome, and it is to be hoped that some at least of the recommendations will obtain legislative effect in the near future. The case for reform receives strong support from the censure of LORD EVERSHERD, M.R., in *C.I.R. v. Hinchy* (see *The Accountant*, December 13th, 1958, p. 719, and May 16th, 1959, p. 596).

The Institute of Taxation submits that legal and practical history and experience show the very great need for amendment of the penalty provisions in four respects: equity, in the light of present-day rates of taxation; clarity of meaning; consolidation and avoiding of overlapping; and graduation or classification. In making a case, under the heading of equity, for penalties on a lower basis, the Institute urges, in particular, abolition of the charges upon total income and the presumption of guilt inherent in Section 468 (5) of the Act of 1952. Clarity of meaning should be sought by, for example, the removal of such ambiguity of expression as gave rise to *Hinchy's* case. Under this heading comes, too, a recommendation in regard to penalties in the case of servants and agents.

At present, the penalty provisions are scattered about the Income Tax Act. Not only does The Institute of Taxation recommend redrafting of the penalty sections and their consolidation, but also change in the jurisdiction to impose, reduce and mitigate penalties. It is suggested that the revised and consolidated penalty provisions should take their place in a Finance Act, with consequential repeal of the existing provisions in the Income Tax

Act. Doubtless, this is as far as the matter could proceed this year, but the Act of 1952 has long been looked upon merely as a step – that of consolidation – towards reform and rationalization of the taxing provisions, and it may be hoped that the ultimate end is not far distant of achievement. Anyone whose income, earned or unearned, is derived from various sources knows how easy it is to omit some item from his annual return of income and will particularly welcome the recommendation, under the head of graduation or classification, that full and clear recognition should be given to those errors which arise from innocent mistakes.

The memorandum of the Taxation Committee of The Institute of Chartered Accountants of Scotland is concentrated upon Section 25 of the Act (the section which gave rise to *C.I.R. v. Hinchy*). The Committee recommends that the section be recast and the penalty limited to the tax underpaid and not otherwise recoverable, interest on the tax underpaid, and a fine not exceeding the total tax underpaid. There is a general recommendation that penalties should be brought into line with present day monetary values, that they should reflect the relative gravity of the offence, and that those not in practice imposed should be repealed.

The recommendations of the Council of The Association of Certified and Corporate Accountants coincide to a great extent with those of The

Institute of Taxation. The Council emphasizes the obscurity of the penalty provisions and the difficulty which there often is in determining which of the provisions is applicable to any particular offence: it draws attention to the undesirable fact that under the existing legislation an offence may be punishable under the Perjury Act, 1911, as well as the Income Tax Act, 1952. The Council categorizes offences into those where there was fraud and wilful default, those where, although there was neither fraud nor wilful default, tax was lost to the Revenue, and those where there was a technical offence involving no loss of tax; it recommends penalties based on the amount of tax lost (and not on the total amount of tax) and an increase in the existing fixed basic penalty of £20 in order that the Revenue may have adequate negotiating power in small cases. The procedure for the recovery of penalties comes in for criticism, as does the fact that the Revenue does not make available to the taxpayer in back duty cases the information on which it is proceeding, and the failure of the Revenue to make definite promises of lenient treatment when a defaulting taxpayer has shown readiness to co-operate in making amends.

The Institute of Chartered Accountants in England and Wales has also submitted a memorandum to THE CHAIRMAN OF THE BOARD OF INLAND REVENUE on the subject of penalties, but its contents have not been released for publication.

Restrictions on the Transfer of Shares

A HEDGE AGAINST 'TAKE-OVERS'

by A BARRISTER-AT-LAW

WHEN joint stock companies were established the great object was that the shares should be capable of being easily transferred.' So said Lord Blackburn in *Re Bahia and San Francisco Railway* ((1868) L.R. 3 Q.B. 595). Section 73 of the Companies Act, 1948, provides that the shares or other interest of any member in a company shall be transferable in manner provided by the articles of the company and it is well settled that, unless the articles otherwise provide, the shareholder has a free right to transfer to whom he will (*Weston's case* ((1868) L.R. 4 Ch. App. 20)).

Hence, it is not necessary to seek in the articles of association for a power to transfer, but only to ascertain the mode of transfer and the restrictions on transfer, if any.

Once a contract for the sale of shares has been entered into, the transferee has an equitable title to the shares and the transferor holds them, until registration, as trustee for the transferee (*Stevenson v. Wilson* ([1907] S.C. 445)); but if the company, under its powers properly exercised, refuses to register the transfer, the transferee has no right against the transferor for breach of any implied warranty to have the transfer registered, or for the

rescission of the contract and the recovery of the purchase price (*London Founders Association Ltd and Palmer v. Clarke* ([1388] 20 Q.B.D. 576)). Any such term must be expressly provided for; for example, 'with registration guaranteed'.

Provisions in articles whereby the right of shareholders to transfer their shares is restricted, are obligatory in the case of private companies by virtue of Section 28 (1) (a) of the Companies Act, 1948, and not uncommon in the case of public companies, but, if the shares of public companies are dealt in or quoted on the stock exchange, fully paid shares have to be free from any restriction on the right of transfer. The Stock Exchange Council, however, has power to grant exemption from this rule and exercises the power in exceptional and rare cases. Shipping companies usually provide restrictions on the transfer of their equity shares or stock to foreigners or their nominees; and an extreme example of restrictions in the case of a public company was found in the articles of Mann, Crossman & Paulin Ltd, which were discussed by the House of Lords in *C.I.R. v. Crossman* ([1937] A.C. 26). Where bonus shares are issued upon renounceable allotment letters, and an allottee renounces in favour of another person, this does not amount to a transfer and accordingly is not subject to any restrictions on transfer that may be contained in the articles (*Re Pool Shipping Co* ([1320] 1 Ch. 251)).

Private Companies

Section 28 of the Act of 1948 does not define the word 'restricts' which it uses in subsection (1) (a), but it is sufficient for the purpose of the section to provide, in the terms of Article 3 of Part II of Table A, that:

'The directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share, whether or not it is a fully paid share.'

Under such an article it is enough that the directors have considered a transfer and that in the exercise of the discretion given them they have not passed it; but if the directors choose to give their reasons for declining to accede to registration the Court will then become entitled to consider whether the reasons given are legitimate or not (*Duke of Sutherland v. British Dominions etc. Corporation* ([1926] Ch. 746)). In order to be effective the power to decline to register must actually be exercised; accordingly, where directors had power to refuse to register a transfer and the board was equally divided, there being no casting vote, the Court held that the

power to decline had not been exercised and that the transfer must be registered (*Re Hackney Pavilion* ([1924] 1 Ch. 276)).

Usually, restriction clauses in the articles of private companies supplement Article 3 by more elaborate provisions. How widely different, to suit particular requirements, these provisions may be, can readily be seen by a perusal of *Palmer's Company Law*, twentieth edition, page 352, and *Palmer's Company Precedents*, seventeenth edition, Part 1, page 707, et seq. Broadly, however, the modifications fall into two main classes: in the first case, the restriction contained in Article 3 is relaxed to allow transfers to be made to favoured classes, such as near relatives, personal representatives, or trustees of a family settlement, without the directors being able to refuse registration; in the second case, it is tightened by providing that no member shall transfer a share at all without first offering it to the remaining members. It is with the latter type of modification that this article is mainly concerned.

Pre-emption Clauses

A pre-emption clause may require a proposing transferor to offer his shares firstly to all other shareholders rateably; or to certain shareholders only, e.g. those holding founders' shares; or to make the first offer to the directors and the second offer to other members, or the intending transferor may be entitled to select the shareholder to whom he wishes to sell. A common form pre-emption clause was considered by the House of Lords in *Lyle & Scott Ltd v. Scott's Trustees*, and *Lyle & Scott Ltd v. British Investment Trust Ltd* ([1959] 3 W.L.R. 133). Article 9 of the appellant company's articles of association reads as follows:

'... no registered holder of more than one per centum of the issued ordinary share capital of the company shall, without the consent of the directors, be entitled to transfer any ordinary share for a nominal consideration or by way of security, and no transfer of ordinary shares by such a shareholder shall take place for an onerous consideration so long as any other ordinary shareholder is willing to purchase the same at a price, which shall be ascertained by agreement between the intending transferor and the directors and, failing agreement, at a price to be fixed by the auditors of the company for the time being. Any such ordinary shareholder who is desirous of transferring his ordinary shares shall inform the secretary in writing of the number of ordinary shares which he desires to transfer, and the price shall immediately be fixed as aforesaid. ...'

Article 7 (which had to be borne in mind in

construing succeeding articles) followed precisely the words of Article 3 of Part II of Table A.

A Take-over Bid

In November 1956, the two respondents (who each held more than 1 per cent of the issued ordinary share capital of the appellant company) and all other shareholders of the company were approached by a firm of solicitors, acting on behalf of an undisclosed principal who later proved to be Mr Hugh Fraser, with a written offer to purchase their ordinary shares at 50s (subsequently increased to 60s) each, and their preference shares at 20s each (inclusive in each case of any dividends declared on the shares after the date of the offer). The offer was expressed to be conditional upon acceptance by the holders of 75 per cent of the ordinary shares then in issue or such lesser proportion as their clients might in their absolute discretion accept as sufficient. There were other conditions of which the following are material:

'The price shall be satisfied by payment in cash on or after December 18th, 1956, against delivery of valid and effective transfers of the said ordinary and/or preference shares together with the relative share certificates and a general proxy in favour of our clients' nominee. . . . Acceptances of this offer must be received by us not later than first post on November 27th, 1956, on the enclosed form of acceptance, duly signed by you.'

The respondents accepted the offer made to them and, in the event of the offer becoming unconditional according to its terms, authorized the offerors to use 'the enclosed form of proxy' and agreed to deliver up their share certificates in respect of all shares in the company which they had agreed to sell, and to sign the relative transfer deeds when called upon to do so in exchange for the purchase price. On or about December 4th, 1956, the respondents were informed by the solicitors that a majority of shareholders had accepted the offer and that the acceptances were no longer open for rejection. Later the same month the respondents were paid (and did not refund) the purchase price, and they delivered to the offeror or his agent the relative share certificates and a completed form of general proxy. The object of these transactions was, of course, to put the offeror as fully in control of the company as the respondents (and the other acceptors of the offer) could do so without the registration of transfers of the shares.

The appellant company, learning of these transactions, called the attention of the present respondents to Article 9 but their letters were

ignored. The company accordingly sought, in the Scottish Courts, a declarator (declaration) that the respondents were bound to implement the terms of Article 9, and a decree ordaining them forthwith to do so. At the hearing before the Lord Ordinary (Lord Strachan) and also at that before the First Division of the Court of Session, the debate was divided into two parts. Firstly, it was questioned whether the respondents had been guilty of a breach of the first and prohibitive part of the article, and secondly, on this assumption, whether the company was entitled to the remedy claimed. The Scottish Courts found that although the provisions of Article 9 had been breached, the company had not established its right to the declaration and decree, the Lord President (Lord Clyde) saying that there had been no overt act which could enable the company to require the respondents to follow out the procedure in the article.

Decision of House of Lords

The House of Lords reversed the decision of the First Division of the Court of Session. Viscount Simonds said that the method of approach adopted in the Scottish Court was no doubt a convenient way of examining the curious problem which had arisen in the case, but it was apt to obscure the vital question whether the respondents were to be deemed to be shareholders 'desirous of transferring' their shares within Article 9. If they were, the appellant company would be entitled to relief whether or not what the respondents had done was a breach of the first part of the article. The determination of that question rested on the meaning to be assigned to the word 'transfer', but it was a question upon which it was unnecessary to express a final opinion, since there was no room for doubt that the respondents were desirous of transferring their ordinary shares. Since they had entered into an agreement to sell their shares and had received and retained the purchase price, it followed that they held the shares as trustees for the purchasers and were bound to do everything they could to perfect the title of the purchaser. They could not compel the appellant company to register him as the holder of the shares, but it was straining credulity too far to suppose that everything else would not already have been done if it had not been hoped to gain some tactical advantage by delay. It was not open to a shareholder, who had agreed to do a certain thing and was bound to do it, to deny that he was desirous of doing it.

Withdrawal of Offer to Sell

In some cases it may be difficult to determine when a shareholder begins to be desirous of transferring his shares and when he ceases to be so desirous. Again, when the machinery of a pre-emption clause has been put in motion, at what stage can a shareholder change his mind, abandon his desire and stop the machinery?

Viscount Simonds did not dissent from the view expressed in *Smith v. Wilson* ([1901] 9 S.L.T. 137) that an offer made in pursuance of an article such as Article 9 might be timeously withdrawn – what is timeous depending on the language of the particular article. But the onus was on the shareholder to satisfy the company and, if necessary, the Court that his desire was spent. If he succeeded in this, and if the machinery had not operated so far that a contract had been made with the other shareholders, he could withdraw his offer. Lord Reid said it followed from *Smith v. Wilson* and *Stevenson v. Wilson* that a notice given to the company by the respondents in terms of Article 9 would not be irrevocable, and that the respondents could, if they chose, annul their contracts with Mr Fraser. Even if they had not done so before they were required to give notice pursuant to the article, they could still abrogate their agreements with Mr Fraser and withdraw their notices to the company before any contract with the other shareholders had been made. Accordingly, the House held that the respondents were bound to implement Article 9, not in any event, but so long as their agreements with the purchaser stood.

Effect of the Decision

Thus far it is clear that a pre-emption clause in the articles of a private company may be capable of giving the company effective protection against an attempted take-over in defiance of its terms. But there are two points to be remembered in connection with the *Lyle & Scott* case. The first is that the decision of the House of Lords was reached on the ground that the 'admitted actings' of the shareholders were such that it could be inferred that they were 'desirous of transferring' their shares within the meaning of the article in question. Whether or not, therefore, this decision will be equally binding in the case of a differently framed clause and in different circumstances will be a matter for future consideration. Then, on January 22nd, 1957, the secretary of *Lyle & Scott Ltd* received notices requisitioning a general meeting of the company for the purpose of removing three of the directors and appointing Mr

Fraser and two others (whom Mr Fraser wished to have appointed) in their place. Had this meeting gone according to plan there is little doubt that the purchaser, having obtained sufficient proxies to enable him to control the company at general meetings, would have proceeded by special resolution to alter Article 9 so as to enable him to take a valid transfer of the shares he had contracted to purchase, to which course Article 7 would no longer prove any obstacle.

To be valid, a resolution purporting to alter the articles of association of a company must be bona fide in the interest of the company as a whole (*Allen v. Gold Reefs of West Africa* ([1900] 1 Ch. 656); *Sidebottom v. Kershaw, Leese & Co* ([1920] 1 Ch. 154)); but so long as it does not discriminate between the majority shareholders and the minority shareholders so as to give the former an advantage of which the latter are deprived, it cannot be effectively opposed (*Palmer's Company Law, supra*, page 290). For this statement Palmer quotes a number of authorities, including *Greenhalgh v. Arderne Cinemas Ltd* ([1951] Ch. 286) where a special resolution which altered a pre-emptive rights clause so as to enable shares to be transferred in defiance of its terms provided only that the sanction of an ordinary resolution was obtained, was held to have been validly passed. In the *Conveyancer*, Vol. 23, No. 1, pages 50, 51, this decision was criticized as 'somewhat puzzling' and the view expressed that in the circumstances there postulated, any alteration of Article 9 would be invalid. Actually, however, the question did not arise in the *Lyle & Scott* case because an interim injunction was obtained preventing the respondents from voting at the meeting requisitioned for the purpose of changing the three directors, and at the hearing before the House of Lords, the lords were informed that other proceedings were pending between the parties.

Defeating a Bidder

Indeed, following the decision of the House, it would now appear to be of more interest to consider how far a public unquoted company may be justified in changing its articles and adopting a pre-emption clause in order to ward off a take-over bidder. Section 10 (1) of the Companies Act, 1948, empowers a company by special resolution to alter or add to its articles. Nothing could be wider than the terms of the section, but a limit must be placed on the general words of the section and the limit is this: that the power given cannot be used to oppress or defraud

a minority of shareholders or to violate any statutory provision or principle of law (*Re Peveril Gold Mines* ([1898] 1 Ch. 122; *Payne v. The Cork Co* ([1900] 1 Ch. 308)). The power, in other words, must be exercised fairly and according to law.

In *Sidebottom v. Kershaw, Leese & Co* an alteration of the articles which gave rights of pre-emption over shares held by any member who was in business in competition with the company, was held to be valid. In that case, the alteration did not amount to oppression because it affected equally all members of the company and it was irrelevant that at the time it applied, in fact, to one member only. But in the case of a company limited by shares which, after a transfer is presented for registration, alters its articles by restricting the right to transfer the shares with a view to preventing the registration of the particular transfer, such alteration does not deprive the applicant of his right to have the transfer registered in accordance with the articles before

alteration (*McArthur v. Gulf Line* ([1909] S.C. 732)).

At one time it was thought that a company would not be allowed to alter its articles in breach of contract with an outsider. In *Southern Foundries (1926) Ltd v. Shirlaw* ([1940] A.C. 701), however, the House of Lords decided that a company is not prevented from altering its articles by reason of the fact that such an alteration would be a breach of contract, but that an action for damages might lie for the breach. In short, if the shareholders have acted honestly in what they believe to be the interests of the company, the Court will not be disposed to disallow the alteration unless there are no grounds upon which reasonable men could have come to the same decision.

In a suitable case, therefore, an alteration of the articles of a company so as to include a pre-emptive rights clause may be a convenient way of defeating a take-over bidder, but if this course is adopted it seems clear that the lessons of the *Lyle & Scott* case should be closely followed.

Weekly Notes

Institute Secretariat Changes

AS noted on another page in the report of the January meeting of the Council of The Institute of Chartered Accountants in England and Wales, Mr I. A. F. Craig, O.B.E., B.A., has resigned from the office of an Assistant Secretary of the Institute, to which he was appointed in 1957 following the integration of the Society of Incorporated Accountants with the three chartered Institutes. Mr Craig, who was well known and well liked throughout the profession, joined the staff of the Society as Assistant Secretary on leaving the Army in September 1946; he was promoted Deputy Secretary in July 1947 and he became Secretary on the retirement of Mr A. A. Garrett, M.B.E., M.A., in December 1949. We wish him well as he pursues his career in other fields.

It is also announced that Mr F. M. Wilkinson, F.C.A., an Assistant Secretary of the Institute, has been appointed Deputy Secretary. Admitted an Associate of the Institute in 1936, he joined the staff of the Institute in May 1944 and was appointed an Assistant Secretary on January 1st, 1946.

Mr C. H. S. Loveday, F.C.A., Mr W. M. Allen, B.A., and Mr C. A. Evan-Jones, M.B.E., Assistant Secretaries, have been appointed Under-Secretaries.

Accountants Not Guilty of Negligence

IN the High Court last Monday in the case of *De Savary v. Holden Howard & Co*, Barry, J., gave judgment for the defendants, a firm of chartered accountants, in an action for damages for negligence. The plaintiff was the managing director and virtual owner of three limited companies. These companies were indebted to the National Provincial Bank, and at the bank's suggestion the plaintiff agreed to pay the cost of an independent investigation into their affairs by the defendants. Certain accounts were prepared which were in fact inaccurate, as they showed the companies to be in a far better financial position than was in fact the case. In reliance of these accounts, the plaintiff, acting for the companies, took on a large number of orders, which substantially contributed to the companies' ruin. The plaintiff contended that the bank, in instructing the defendants, was acting as his agent, and that in preparing the accounts the defendants owed him a duty of care which they had failed to observe. Alternatively, the plaintiff alleged that the defendants had undertaken to act as his financial advisers and had negligently advised a programme of expansion, inducing him to take the same false position as he had adopted on the faith of the accounts, and he also made a claim in tort.

Barry, J., found that there was a complete lack of any evidence that the defendants were ever told that their accounts were to be used or relied on by the plaintiff for any purposes. The defendants had acted only on behalf of the bank. *Candler v. Crane Christmas & Co* ([1951] 2 K.B. 164) had decided that a careless misstatement acted on by another to his detriment

was not actionable in the absence of a contractual or a fiduciary relationship, and no such relationship existed between the parties in the present case. With regard to the claim that the defendants had agreed to act as the plaintiff's financial advisers, his lordship held that the defendants entered into a contractual relationship with the plaintiff for the purpose of finding further capital for the companies and accordingly owed a duty to the plaintiff; but it was an extremely limited duty, to take due care in obtaining further capital on the basis of accounts assumed to be correct, on reasonable terms and from a reputable source. To extend the duty further would be to put on the defendants a wholly unreasonable burden, and they were not under a duty to investigate the accounts again: in the absence of such a duty, there was no foundation for any claim arising out of events after the defendants became the plaintiff's financial advisers. (*Obiter.*) His lordship said that errors in the accounts were not *prima facie* evidence of negligence because much of the information upon which the accounts were based emanated from the books of the companies: to establish negligence it was necessary to show either that the accounts were carelessly prepared or that the accountants were under an obligation to satisfy themselves that the books represented the companies' true position. In fact the records of the companies were wrong.

National Pension Scheme

THE first official pamphlet (Leaflet R1) to be issued by the Registrar of Non-participating Employments, 10 John Adam Street, London, WC2, has now appeared. It relates to the instructions to be followed by those wishing to 'contract out' of the national pension scheme introduced under the National Insurance Act, 1959. Graduated contributions for employees who are not contracted out are due to commence on April 1st, 1961.

The leaflet covers the conditions required for contracting out and the procedure to be adopted in doing so, together with general information including the obligations of employer: holding certificates of contracting out. There is also an indication regarding the adaptation of private pension schemes for contracting-out purposes. Modification may be made in spite of restrictions in the rules under powers conferred upon the Chief Registrar of Friendly Societies, but the Registrar of Non-participating Employments is willing, if requested, to give a preliminary opinion.

The leaflet now issued is not a completely comprehensive one, and in fact could not be so at the present stage as there are still regulations to be issued under the Act itself. The leaflet does afford, however, a useful guide as to procedure to anyone considering contracting out.

The problem of whether or not to contract out has already been the subject of a number of publications and articles¹, and a new booklet has now been

issued by C. T. Bowring & Laybourn Ltd, Insurance Brokers - primarily for their own clients - but in a form which may be of interest to others.

Budget Recommendations

IT is perhaps not surprising that the recommendations submitted to the Chancellor of the Exchequer by the Council of The Association of Certified and Corporate Accountants are largely a repetition of those which it submitted a year ago; but the fact that the Chancellor did not feel able, in his last Budget, to give effect to many of the proposals then made does not, of course, mean that they were not good ones, and it is to be hoped that this year he may find it possible to go further in tax alleviation and reform. The proposals now made by the Association, whether or not for the first time, illustrate in apt manner how irrational, and indeed, inequitable, are many of the existing tax provisions.

Almost inevitably the criticisms of income tax begin again with an onslaught on Schedules A and B. The former head of tax is a source of constant irritation to the house-owner who pays it on property in his own occupation, and the latter produces very little tax anyway. There is an excellent case for abolishing both schedules and relieving the owner-occupier altogether from tax on property which is not income-producing. In so far as actual income - from lettings and from woodlands managed commercially - suffers tax under these schedules, the liability could easily and conveniently be transferred to other schedules. Here would be, moreover, one step towards the simplification of income tax law.

A proposal that the current year basis of assessment should be applied to income arising under Cases III, IV and V of Schedule D again features in the recommendations. So far as Schedule E is concerned, it is recommended that the cost of travelling between the main place of employment or trade and any other place where other offices or trades are carried on, should be permitted as an expense for the purposes of assessment, and that the provisions of Chapter II of Part VI of the Income Tax Act, 1952, which govern the treatment as assessable income of expenses and benefits in kind, be amended so as to place directors on the same basis as senior employees.

There follows a variety of recommendations in regard to income tax. It is urged that provision be made to deal with the case of the fluctuating income: the present law imposes an unfair and inequitable burden on the section of the community - of not inconsiderable size - engaged in activities, such as the stage and screen, the profits whereof differ widely from year to year. Surtax on controlled companies and the absence of depreciation allowance for commercial buildings again come in for criticism. Child allowance, dependent relative allowance and house-

¹ See *The Accountant*, December 5th, 1959, page 525.

keeper allowance all come in for consideration and recommendation under the head of personal allowances. At present, if partners wish to exercise an option under which a change in partnership need not be treated as giving rise to a cessation, notice must be given within twelve months of the change: an extension to at least three years is advocated. Losses under Case VI of Schedule D, bank and loan interest of investment companies, unilateral double taxation relief, overseas municipal taxes, overseas tax incentives and the position of subsidiaries of companies to which the overseas trade corporation legislation applies are all subjects of recommendations.

The charge to both profits tax and surtax of the same profit again comes in for consideration, as do the losses of a subsidiary company where group treatment is applied for profits tax purposes. Under the head of estate duty, revision is sought of the duty on gifts made *inter vivos* within five years of the donor's death, so that the amount of duty chargeable would be progressively reduced for every year for which the donor survived after making the gift. The stamp duty anomaly which exists, so as to exclude from relief under Section 42 (b) (i) of the Finance Act, 1930, a conveyance by a company to a subsidiary owned by its subsidiary, is again the subject of comment.

The Income Tax Payers' Society has also made recommendations to the Chancellor. In particular, the Society urges reduction of the standard rate to 5s in the next four years, and an increase in the starting-point for surtax. Dependent relative allowance, housekeeper allowance and small income relief should, in the Society's view, be increased. Schedule A comes in for its accustomed criticism, as does the treatment of expenses under Schedule E. Also criticized is the disparity in treatment for tax purposes of subscriptions of a trader to an educational body approved by the Minister of Education and subscriptions paid by professional people to similar bodies.

The Institute of Directors, in submitting suggestions to the Chancellor, singles out surtax as being most urgently in need of reform. Cogent figures are produced in support of a reduction in this tax, which originated in 1918: the surtax level has been £2,000 ever since in spite of the heavy fall in the value of the pound in the intervening years. The Institute points out that this 'tax on success' makes prospects in this country so unattractive for the promising young man that he is induced to seek success elsewhere.

Deep concern is expressed by the Institute at the failure to implement the recommendation of the Royal Commission on Taxation of Profits and Income to replace the existing expenses rule by one which would allow a deduction of 'all expenses reasonably incurred for the appropriate performance of the duties of the office or employment'.

Surtax on controlled companies, the remuneration of controlling directors for profits tax, and capital

allowances for commercial buildings are also considered, and the Chancellor is urged to consider assessing a married woman's earnings for surtax as if she were a single woman, since under the present system women who are potentially the most valuable to the economy are discouraged from working at all.

First of the Bank Chairmen

THE first two annual reviews from the banks have come from Sir Harold Bibby, chairman of Martins Bank Ltd, and Mr Anthony Tuke, chairman of Barclays Bank Ltd. Both have been concerned with take-over bids. Sir Harold says in his review that the phrase is used in too wide a sense which has led to it acquiring a good deal of notoriety. Both chairmen have also referred to the high level of ordinary shares on the Stock Exchange and both have expressed reservations about the justification for the present level of share prices.

Mr Tuke has for some years been conspicuous for his forthright and refreshing comments on the banking situation and the state of the economy. He has lived up to his reputation again this year in a review which is both witty in its style and trenchant in its comments. He has given a good deal of his review to a survey of the Radcliffe report, whose recommendations he likes rather less than the descriptive sections of their report. He takes time out to chide economists who have campaigned over the years for more and better banking statistics.

Sir Harold Bibby considers the outlook for the economy to be encouraging but draws attention to the dangers arising from unofficial strikes. Mr Tuke emphasizes the easing of the burden which would be possible if defence expenditure could be substantially reduced. But even without a major economy in defence outlay he thinks that there should be room for some further relief to the taxpayer and he puts in a plea particularly for the salaried worker whose personal taxation is still at a level which can only be described as vindictive. Mr Tuke would not have defence expenditure reduced, however, without adequate provision having been made for the safety of the country.

P. D. Leake Trust Report

THE report of the Council of The Institute of Chartered Accountants in England and Wales, which accompanies the recently issued accounts of the P. D. Leake Trust for the year ended October 31st, 1959, states that application is being made to the Court to extend the present investment powers of the Council. While authorization was given by the will of the late P. D. Leake to retain the securities, whether trustee investments or not, held by him at the date of his death, power was not granted to invest or reinvest funds otherwise than in trustee securities. The Council rightly points out that its inability to switch equity investments at appropriate times handicap

the proper handling of the portfolio and, if any substantiation of this statement is required, a glance at the balance sheet of the Trust will supply it. At October 31st, 1959, the book value of investments on capital account in trustee securities was £52,698 and the middle market value was £44,335. The book value of other quoted investments on capital account was £58,058 and the middle market value was £165,194.

The administrative inflexibility of which the Council complains does not seem, however, to be causing monetary embarrassment at present. Apart from financing the P. D. Leake Professorship of Finance and Accounting at Cambridge University and making occasional fellowship and other grants, the money which the late Mr Leake left for 'the benefit and advancement of the sciences of accounting and of political economy including the subject of public finance and taxation' continues only to accumu-

late more money. The assets on income account at £57,070 are now almost exactly half those on capital account and, of the total income of £11,207 (of which £2,187 was derived from investments on income account) for the year ended October 31st, 1959, the unexpended portion of £6,317 was, as it were, ploughed back. No appointments of P. D. Leake Research Fellows were made in 1958-59 and it is now announced that no suitable candidates were found for the advertised 1959-60 vacancies.

In each of the years 1957 and 1958, the Council made a grant to the Royal Institute of Public Administration to further a research project on budgeting policies in public authorities. The results of this commendable exercise are contained in a book entitled *Budgeting in Public Authorities*, newly published by George Allen & Unwin Ltd, and reviewed in these columns last week.

This Is My Life . . .

by AN INDUSTRIOUS ACCOUNTANT

CHAPTER 7

PROCEDURE at board meetings, with its attendant complications of protocol and personalities, always looms large among a secretary's tribulations. In pre-war days the directors met infrequently and the terse minutes of meetings only recorded such resolutions as were statutorily necessary. Then trade depression brought controversies and a new system was introduced. My harassed predecessor had to circulate voluminous draft minutes, full of comments and opinions, to be agreed unofficially before he dared enter them.

The drafts usually came back profusely amended, to be laboriously re-complied and re-circulated, before the final copperplate record was accepted unchallenged. One cautious old time-server had a favourite insertion, designed to protect himself in later post-mortems. 'Mr So-and-so dissented on the grounds that a bolder policy was desirable.'

Happily, the board nowadays behaves in model fashion and our minutes are short but adequate. Whenever I attempt a literary flourish, designed to lend verisimilitude, like Pooh-bah, to an otherwise bald and unconvincing narrative, the chairman gently but firmly blue-pencils the craft.

The managing director maintains control by holding informal meetings of his top executives every Monday after lunch. Progress is reported, strategy planned, and statistics freely circulated. One or more departmental heads sit in each time, discussing their problems under an expert and courteous inquisition, and results are excellent.

When the transport manager makes a helpful comment on our advertising programme, and our young cost accountant suggests a striking new sales display, the policy pays clear dividends and also grooms them for future management.

This production of statistics provides pitfalls, however, as I found early on when I supplied a schedule of our transport fleet, including prices, and drivers, and the allocation of annual costs. It obviously wasn't diplomatic to show the deputy chairman's son as driving our new station wagon, which he wasn't entitled to do, being in the office; particularly as he broke the back axle going home one night; and more particularly, as he had wrecked his own sports model on the M1 last month.

The managing director raised his eyebrows at the deputy chairman, who glowered across the table at me, the 'Innocent Abroad'.

(Memo 1: Tread delicately near the deputy chairman in future. Memo 2: Did the managing director know the position when he asked for the schedule?)

The deputy chairman is the old-fashioned product who grew up with the business and has no outside experience. Like the Bourbons, he learns nothing and forgets nothing. The managing director has a good degree in engineering and enough natural flair for figures to revel in accounting statistics. The bludgeon and the rapier types in contrast.

At today's meeting I was forecasting our half-year's net profit, subject to stock finalization, and the managing director mused thoughtfully: 'We shall have to consider publishing an interim report at next week's meeting.' The deputy chairman came in flatly: 'That's a matter of policy for the board to decide.' In a sudden silence the managing director replied calmly: 'I refer to next week's board meeting. You remember it's due on Thursday?' So the deputy had to subside, which he did clumsily.

My further forecast: 'Gale warning'.

Finance and Commerce

Hartley Baird

ANY difficulties readers found with the accounts of Camp Bird Ltd, reproduced in last week's issue, are hardly likely to be resolved by those of Hartley Baird Ltd, which form the subject of this week's reprint. Control of Hartley Baird is with Camp Bird, whose directors may be presumed to know all the answers to the long list of qualifications made by the auditors. But there is a minority interest in the 1s shares which are currently quoted at about 1s 1½d.

The composition of the Hartley Baird Group is given at the end of the report. Five subsidiaries, which, of course, are sub-subsidiaries of Camp Bird, are mainly in business connected with the electrical industry: engineers, installation contractors and wire and cable makers. One of the subsidiaries, H. J. Baldwin & Co Ltd, came into the Hartley Group during the year, Hartley having a two-thirds interest. During the year, two Hartley interests were disposed of: Ambassador Radio & Television Ltd and Baird Business Machines Ltd. Shortly after the close of the year, the shareholding in Telecast Rentals Ltd was sold.

The sale of Ambassador, it is stated in the chairman's review, is included in the consolidated balance sheet under 'Amounts owing by associated companies', and moneys received from the sale will be used in reduction of the parent company's bank overdraft. With Ambassador goes Hartley's last remaining interest in television manufacture which, it is stated, has led to losses and reduced profits in recent years. Other members of the group have continued their 'unbroken profits record'.

Auditors' Queries

Pointing out that 'net profits were considerably increased', the review adds that 'the profit dealt with in the accounts of Hartley Baird Ltd does not include any contribution from the Baldwin Group'. This needs to be read in conjunction with Note 10 which forms part of the reprint. Note 10 also deals with profits of companies which have ceased to be subsidiaries.

On February 1st next, it is intended to pay all arrears and accruals of 6½ per cent preference dividend. It is proposed to cancel the outstandings (£17,500 gross) on the 7 per cent preference shares and to convert the shares into two million 1s ordinary. These preference are owned by Camp Bird.

The chairman, in his review, admits that the parent company's balance-sheet 'gives a clear picture of illiquidity which has been a serious handicap to faster advance', but, he says, 'the directors have not felt justified in seeking new capital from existing

shareholders until the position could be resolved'. It is now proposed to raise new capital by way of a Rights issue in which, however, Camp Bird, the principal shareholder, will not participate.

The directors hope to resume payment of ordinary dividends in the current year. It is difficult to avoid a feeling, however, that shareholders who put up more money will do so more as an act of faith in the future of the company rather than on the strength of the auditors' report and the lucidity of the accounts. The auditors raise enough queries to frighten off the strongest investor.

Explanation

Following inquiries from shareholders, the Hartley Baird board issued a circular commenting on the auditors' qualifications. Concerning I and II in the qualifications on the consolidated accounts, the board stated that the amounts referred to the development of an advanced type of mechanical vice by H. J. Baldwin. Sales in the past two years have not resulted in profits, but the directors consider that future sales will be sufficient to recover the amounts in question.

On item III the directors consider that the investments 'are worth at least the amounts at which they stand in the accounts'. Commenting on item IV, the directors make the point that nearly two-thirds of the £368,618 arose when Camp Bird acquired control of Hartley Baird. At that time, two Hartley Baird subsidiaries, Creston Electric and Tenaplas, were taken out of the group by Camp Bird for reconstruction. Also at the time, Camp Bird guaranteed to Hartley Baird the amounts then owing to these subsidiaries. The directors are advised that Camp Bird hope to begin recovery of the amounts in the not too distant future. The remaining sums have been incurred by other Camp Bird subsidiaries and 'there is no question whatever about their ability to meet the liabilities as they fall due'. The debts are guaranteed by the parent company.

The sum of £146,138 represents the amount owed by Ambassador Radio to the Hartley Baird Group and the major part arose when Hartley Baird sold its interest in that company. This debt, the directors consider, will be recovered in due course from income injected into Ambassador by the new owners.

The amount of £79,824 owing by an associated company, the directors added, represents moneys advanced to finance production against orders given by the group.

At the Meeting

On Note V it is explained that the debt of £49,461 arose when H. J. Baldwin sold their cinema interests. Negotiations to secure regular annual payments in

HARTLEY BAIRD LIMITED
AND ITS SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the year ended 30th April, 1959

30th April, 1958	£	£	£	£	£	£
45,438	50,319	Trading profit for the year, after charging the items shown below: See Note 10) ..				106,898
—	—	Depreciation (See Note 1 (iii)) ..	45,697			
—	—	Interest	4,662			
—	—	Directors' Emoluments:				
666	—	Fees	474			
—	—	Other emoluments	12,773			
1,000	—	Pension contributions	1,579			
—	—	Former Managing Director's pension	—	14,826		
1,509	—	Audit Fees and Expenses:				
2,192	—	Holding Company	1,600			
—	—	Subsidiary Companies	2,588			
£50,805	—		4,188			
—	—		£69,373			
—	—	Add: Income from Investments:				
—	—	Trade	5,420			
—	—	Others	1,943			
—	—					7,363
50,319	—	Profit for the year, before Taxation ..				114,261
—	—	Less: Taxation based on the profits for the year:				
—	—	United Kingdom:				
23,802	—	Income Tax	44,860			
3,325	—	Profits Tax	13,149			
27,127	—					58,009
—	—	Overseas:				
3,050	—	East African Income Tax ..	1,850			
—	30,177					59,859
20,142	—	Profit for the year, after Taxation ..				54,402
2,300	—	Add: Profit on sale of shares in a subsidiary				—
—	—	Ineffective proportion of subvention payments made to a former subsidiary in previous years, now recoverable	4,344			
—	—	Taxation adjustments relating to previous periods	3,294			
—	—		7,638			
—	—	Less: Amount written off in respect of a former subsidiary	—			7,638
—	—					62,040
—	—	Less: Proportion of profits of subsidiary companies not available to Hartley Baird Ltd	17,862			
—	—		44,178			
—	—	Less: Profit for the year retained by subsidiaries	4,313			
—	—	Less: Amount withdrawn from Revenue Reserves of subsidiaries	4,122			
—	—					191
—	—	Profit dealt with in Accounts of Hartley Baird Limited				43,987
—	—	Deduct: Dividends (less Income Tax) paid in respect of the 6 months ended 30th June, 1957:				
—	—	6½% Preference Shares	—			
—	—	7% Preference Shares	—			
—	—					43,987
—	—	Deficit brought forward from last year by Hartley Baird Limited				54,751
—	—	Deficit carried forward by Hartley Baird Limited				10,764
—	—	Credit balances carried forward by subsidiaries				17,103
—	—	Surplus on Profit and Loss Account carried to Consolidated Balance Sheet ..				£6,339
(Deficit) £32,336	—					

The notes on page [70] (where applicable) form part of these Accounts.

Auditors' Report

ON THE BALANCE SHEET OF HARTLEY BAIRD LIMITED

We have examined the Books and Accounts of Hartley Baird Limited for the year ended 30th April, 1959, and in our opinion proper Books of Account have been kept so far as appears from our examination of those Books.

We have to report as follows:—
I. We have reason to believe that the amount of £300,146 owing to the Company by certain Fellow Subsidiaries and an amount of £137,035 owing by an Associated Company could not at present be recovered without invocation of the Guarantees given by Camp Bird Limited.

The ability of another Associated Company to settle under an agreement covering the next ten years' indebtedness to the Company of £65,000 is not apparent to us.
(ii) Subject to the reservations contained in our Report on the Accounts of the Group we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(iii) In our opinion and to the best of our information and according to the explanations given to us the annexed Balance Sheet which must be read in conjunction with the attached Notes and which is in agreement with the Books of Account, gives, subject to any effect which may be produced upon the affairs of the Company by the implications of Note 1 (i) and except for the other matters referred to in this Report and that on the Accounts of the Group, a true and fair view of the state of the Company's affairs at 30th April, 1959.

ON THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

We have also examined the Consolidated Balance Sheet and Consolidated Profit and Loss Account annexed together with the audited Accounts of those Companies some of which have not been audited by us.

We have to report as follows:—
I. The Development Expenditure of £41,812 was incurred by a Subsidiary Company over two years ago in respect of a new product the earning powers of which have not yet been demonstrated.

II. Included under the heading of Plant, etc., is an amount of £23,256 representing the undepreciated cost of Production Tools, etc., in respect of the product to which reference is made in paragraph I above.

III. (i) Included in Unquoted Investments (£62,429) are shares in an Associated Company the financial position of which does not in our opinion justify the book value of £3,014 at which these shares are held.

(ii) We have not received adequate information to enable us to make an assessment of the value of certain of the Other Investments having a net book value (after deducting all provisions) of £14,562.

IV. We have reason to believe that no significant part of the amount of £368,618 owing to the Group by certain Fellow Subsidiaries nor some £146,138 owing by Associated Companies could at present be recovered without invocation of the Guarantees given by Camp Bird Limited. The ability of another Associated Company to settle indebtedness to the Group of £73,270 (of which £70,775 is payable over the next ten years) is not apparent to us nor are we satisfied that the Associated Company referred to in paragraph III (i) above can readily repay an amount of £79,824 owing on Current Account.

V. Neither we nor the Auditors of the Subsidiary concerned have received sufficient information to enable us to assess what value, if any, attaches to the debt of £49,461 against which full provision has been made out of pre-acquisition reserves.

Nor have we, as Auditors of Hartley Baird Limited, received sufficient information to enable us to assess the imminence or otherwise of the contingencies to which reference is made in Note 6 (ii).

VI. In our opinion the Consolidated Balance Sheet and Profit and Loss Account annexed which must be read in conjunction with the attached Notes, have been properly prepared in accordance with the provisions of the Companies Act, 1948, and give, except in so far as affected by the foregoing remarks, a true and fair view of the state of the affairs as at 30th April, 1959, and of the Profit for the year then ended of the Company and its Subsidiaries so far as concerns members of the Company.

BROWN FLEMING & MURRAY,
Chartered Accountants.

London: 7th December, 1959.

THE
ACCOUNTANT

January 16th, 1960

HARTLEY BAIRD LIMITED AND ITS SUBSIDIARY COMPANIES
Consolidated Balance Sheet as at 30th April, 1959

1958	£	£	1958	£	£	£
£	509,500	Issued Share Capital of Hartley Baird Limited.. (See Note 8)	£	759,500	Fixed Assets: (See Note 1)	£
	12,371	Share Premium Account	1,182	12,371	Hartley Baird Limited	80,560
(Deficit)	32,336	Profit and Loss Account	278,860	280,042	Subsidiary Companies	403,332
	489,535					483,892
	27,280	Estimated Income Tax Assessments 1960/61 ..	35,057		Intangible Assets:	
		Minority Interests in Subsidiary Companies ..	1,650		Patents, Trade Marks and Goodwill	36,304
					Net Premiums paid on purchase of shares in sub- sidiary companies	6,119
					Development expenditure	41,812
						84,235
					Subsidiary Companies not consolidated (See Note 4)	
					Shares at Cost, less Provision	4
					Amounts receivable on current accounts less pro- vision	17,829
						17,833
					Investments:	
					Trade Investments:	
					Unquoted, at Cost	86,569
					Less Provisions	24,140
						62,429
					Other Investments, at Cost	19,670
					Less Provision	2,002
						17,668
						80,097
					Amounts not currently receivable: (See Note 6 (ii))	
					Deposit with a Building Society	23,000
					Sundry Debtor	49,461
					Less Provision	49,461
						23,000
					Amounts owing by Associated Companies: (See Note 3)	
					Holding Company	368,618
					Fellow Subsidiaries	350,492
					Others	719,110
					Current Assets:	
					Stocks as valued by the Companies' Officials (See Note 5)	695,801
					Sundry Debtors and payments in advance	451,125
					Balances at Bankers and Cash in Hand	36,203
						1,183,129
					For and on behalf of the Board,	
					A. W. M. HARTLEY } H. J. D. L. WALMSLEY } Directors.	
						£2,591,296
						£2,591,296

The notes on page [70] (where applicable) form part of these Accounts.

The notes on page [70] (where applicable) form part of these Accounts.

HARTLEY BAIRD LIMITED

Notes on the Accounts

1. Fixed Assets

(i) HOLDING COMPANY

With the exception of the Motor Vehicle all the Fixed Assets of Hartley Baird Limited were acquired from a former Subsidiary Company on 31st March, 1959.

The value of £80,360 shown against these assets in the Balance Sheet is arrived at thus:—

1959	Freehold Land and Buildings	As valued by the Directors of the former Subsidiary at 31st December, 1954	Book Value
£	£	£	£
	Original Cost	Depreciation Cost to 31.3.59	Aggregate Depreciation of Hartley or Baird Ltd.
	£	£	£
	Other Assets		
	Plant and Machinery ..	43,276	29,697
	Fixtures and Fittings ..	15,469	9,521
	Motor Vehicle ..	706	—
		59,451	39,218
		20,233	4,555
			15,678
			<u>£80,560</u>

None of these assets were in use by Hartley Baird Ltd. at 30th April, 1959, except for the Motor Vehicle. At that date the buildings were used by an Associated Company for storing and distributing their products.

(ii) SUBSIDIARY COMPANIES

The value of £403,332 shown against these assets in the Consolidated Balance Sheet is arrived at thus:

	Cost to Subsidiaries	Aggregate Depreciation	Book Value
	£	£	£
Freehold Land and Buildings, Minerals and Kilns ..	231,666	41,525	190,141
Leasehold Land and Buildings ..	6,459	1,194	5,265
Plant, Machinery, Motor Vehicles, Furniture and Fittings, Tools and Equipment ..	420,603	215,270	205,333
	<u>£658,728</u>	<u>£257,989</u>	<u>400,739</u>
Tools and Dies at Valuation ..	..	..	2,593
			<u>£403,332</u>

(iii) DEPRECIATION

No depreciation is provided against certain Freehold Property (including that of the Holding Company) having a Book Value at 30th April, 1959, of £170,912.

2. Rates of Exchange

East African Shillings and Canadian Dollars have been converted at the approximate rates ruling on 30th April, 1959.

3. Amounts owing by Associated Companies

The amounts owing are made up thus:

	Holding Company	Guaranteed by Camp Bird Ltd.	Payable on Demand	Payable over 10 years from 30.4.59	Others Payable over 10 years from Demand	Total
	£	£	£	£	£	£
Fellow Subsidiaries ..	..	235,146	65,000	—	—	300,146
Others ..	..	137,035	—	—	—	137,035
Group (including Holding Company) ..	301,742	65,000	1,876	—	—	368,618
Fellow Subsidiaries ..	..	140,363	5,775	—	—	146,138
Others ..	..	..	70,775	—	—	70,775
						<u>350,492</u>

4. Subsidiary Companies not Consolidated

The Accounts of a Canadian Subsidiary have not been consolidated as the Directors are of the opinion that their preparation would involve delay out of proportion to the value of such Accounts to the Members of Hartley Baird Ltd.

No profits or losses of this Company are attributable to the Parent Company.

The Accounts of another Subsidiary Company, the shares of which have been sold for a price in excess of their cost since 30th April, 1959, have not been consolidated as the Directors are of the opinion that such consolidation would be misleading.

The Profits of this Company attributable to Hartley Baird Limited amounted after taxation to £859 in respect of the year ended 30th April, 1959, and to £906 in respect of previous years.

5. Stocks

The Stocks and Work in Progress of a Subsidiary Company include certain items at a prime cost of £52,007 which have shown little or no movement for a considerable time. The Directors are of the opinion that these items will be disposed of within two years at prices which, in total, will not realise less than the above sum.

6. Guarantees

At the date of the Balance Sheet the Contingent Liabilities of the Group were as under:—

(i) In respect of Guarantees given by the Holding Company £74,414

(ii) An amount of £23,000 (shown on the Consolidated Balance Sheet under 'Amounts not currently Receivable') is deposited with the State Building Society by a Subsidiary Company in support of a legal charge and of a guarantee given in 1955 by the same Subsidiary Company under the terms of which, in certain eventualities, it is liable to make payment to the Society of £123,000 with interest and costs.

7. Commitments for Capital Expenditure

Group Commitments for Capital Expenditure not provided for in these Accounts amounted at 30th April, 1959, to some £7,000.

8. Cumulative Redeemable Preference Shares

(i) All the Cumulative Redeemable Preference Shares may be redeemed at any time on or after 31st December, 1968, and in any case shall be redeemed by 31st December, 1978, at a premium of 1/- per share. The Company may also from time to time redeem all or any of such shares by purchase in the market at a price not exceeding 2 1/2/- per share. While any 6 1/2 per cent Cumulative Redeemable Preference Shares remain outstanding the consent of their holders is required to the optional redemption of any 7 per cent Cumulative Redeemable Preference Shares.

(ii) The gross amounts of Cumulative Preference Dividends in arrear at 30th April, 1959, were as follows:

18 months ended on 31st December, 1958:—	
On 6 1/2 per cent Cumulative Redeemable Preference Shares ..	£19,500
On 7 per cent Cumulative Redeemable Preference Shares ..	<u>10,500</u>
	<u>£30,000</u>

9. Bank Overdrafts

The Bank Overdraft of Hartley Baird Limited is secured by a charge on the assets of the Company. Overdrafts of certain Subsidiaries amounting to £205,277 are secured on the assets of the Companies concerned.

10. Subsidiary Acquired during the year

The figures shown in Profit and Loss Account in respect of H. J. Baldwin & Co., Ltd., the shares in which Company were acquired during the year represent 12/19ths of the amounts appearing in the Profit and Loss Account of that Company which covered a period of 19 months.

By agreement, all of the Profits of H. J. Baldwin & Co., Ltd. have been treated as arising prior to the acquisition by Hartley Baird Ltd. and conversely a full year's profits of Hartley Electromotives Ltd and Duracube & Wire Ltd. (no longer wholly owned Subsidiaries) have been carried to the credit of the Hartley Baird Ltd. Profit and Loss Account.

reduction of this liability are 'expected to be concluded almost immediately'

Finally, shareholders are told that in acquiring a controlling interest in H. J. Baldwin the directors took full cognizance of the matters raised by the auditors and that no element of doubtful recovery was included in the price paid for the shares.

At the annual meeting, shareholders asked many questions without really receiving answers which resolved their obvious anxieties. The position of Camp Bird anent Ambassador Radio remained obscure and the auditors stated that the company's explanatory circular could not affect their qualifications to the accounts.

No Tenders

THE Stock Exchange Council's decision not to allow new issues of shares to be made by tender has aroused resentment and criticism in the City, even though the Council has undertaken to look

further into the matter. The decision, it is felt, was based more on the fact that sales by tender went out of use fifty or more years ago than from the fact that such sales might serve a useful purpose now.

It is known that one leading merchant bank put forward concrete proposals on this matter to the Council and backed their suggestions by rules and regulations which they intended could be used as practical safeguards. It is presumably these rules that the Council is now studying.

In the new issue market there is a yawning gap between offers on prospectus and marketing through placings. The gap has widened since the Stock Exchange Council virtually banned share introductions. It is this gap that the merchant bank hopes to fill and which the Stock Exchange Council appears to want to leave open.

Next Week's Reprint

The accounts of Ind Coope Ltd will form the subject of next week's reprint.

CITY NOTES

THE state of the equity market has this week come under the scrutiny of some of the bank chairmen. While the banking view is that the future holds prospects of a new surge of economic prosperity, it is equally held that the equity market stands at a point that discounts future prospects rather too far ahead.

There is certainly something to be said for the latter view. Probably the market has become a little optimistic. Yields of 3 per cent, and under in some cases, seem to be forecasting a year to two years' growth rather than the six months that the market is supposed to discount.

The banking view is that the time is approaching, if in fact it has not already arrived, when those with funds to invest for income should consider the merits of 5 per cent and more on fixed interest stocks rather than the 3 per cent plus growth in equities.

But if the bankers' forecasts of a new surge of economic prosperity are accurate the investor might well ask why the bankers currently prefer gilt-edged to equities. What benefit will the investor in gilt-edged derive from economic prosperity? True, the equity market cannot rise indefinitely: there must be some reaction at some time, but the long-term investor in equities has always fared better than his counterpart in gilt-edged and probably always will do so. There is always a time when it pays to take equity profits and to keep out of the market for a time, but it has never paid to sell equities short for any length of time. Maybe present equity prices are on the high side but in the long-term present prices will prove to be more than justified.

RATES AND PRICES

Closing prices, Wednesday, January 13th, 1960

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate			
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills			
Nov. 6	£3 7s 4.62d%	Dec. 11	£3 11s 6.91d%
Nov. 13	£3 7s 9.55d%	Dec. 18	£3 12s 10.50d%
Nov. 20	£3 7s 11.96d%	Dec. 24	£3 13s 8.82d%
Nov. 27	£3 7s 11.95d%	Jan. 1	£3 14s 6.24d%
Dec. 4	£3 10s 7.23d%	Jan. 8	£3 14s 11.06d%

Money Rates			
Day to day	2½-3½%	Bank Bills	
7 days	3-3½%	2 months	3 ½-3 ¾%
<i>Fine Trade Bills</i>		3 months	3 ½-3 ¾%
3 months	4½-5%	4 months	3 ½-3 ¾%
4 months	4½-5%	6 months	3 ½-3 ¾%
6 months	4½-5½%		

Foreign Exchanges			
New York	2.79 1/8-7/8	Frankfurt	11.66 1/2-67 1/2
Montreal	2.66 1/2-1 1/4	Milan	1737 1/2-8
Amsterdam	10.56 1/2-1 1/4	Oslo	20.01 1/2-1 1/4
Brussels	139.62 1/2-63 1/2	Paris	13.73 1/2-74 1/2
Copenhagen	19.33 1/2-34 1/2	Zürich	12.10-1 1/4

Gilt-edged			
Consols 2½%	48 1/2xd	Funding 4% 60-90	93
Consols 4%	71 1/2xd	Savings 2½% 64-67	84 1/2
War Loan 3½%	63 1/2	Savings 3% 55-65	91 1/2xd
Conversion 3½%	64 1/2	Savings 3% 60-70	82 1/2
Conversion 3½% 1969	88 1/2	Savings 3% 65-75	75 1/2xd
Exchequer 5½% 1966	104 1/2	Treasury 2½%	47 1/2
Funding 3% 66-68	84 1/2xd	Treasury 3½% 77-80	78 1/2
Funding 3% 59-69	84 1/2	Treasury 3½% 79-81	76 1/2xd
Funding 3½% 99-04	70 1/2xd	Victory 4%	96 1/2

Current Law

Application by Sign Manual

A TESTATRIX bequeathed one-quarter of her residuary estate to 'The Hospital for Incurable Women of Brompton Road, London'. It was clear that the testatrix intended to benefit charity, but there was no institution the description of which precisely fitted that used by her, and the only two which might in any way answer to that description relinquished any formal claim which they might have. In *Re Bennett, Sucker and Another v. Attorney-General* ([1959] 3 All E.R. 295) Vaisey, J., was asked to make a scheme disposing of the share in question. His lordship decided that he had not jurisdiction to do so. He pointed out that there was no trust: the gift was made direct. If there had been a trust, then the Court would have had power to make a scheme ordering application of the gift *cy-près*.

Where, however, there is no trust, application is affected under the Sign Manual by virtue of the royal prerogative, and the gift in the instant case fell to be administered in that way. Accordingly, his lordship declared that the bequest was a valid charitable bequest and ought to be applied in accordance with the directions of Her Majesty.

Gift to a Parish Council

THE testator in *Re Endacott, Corpe v. Endacott and Others* ([1959] 3 All E.R. 562) gave his residuary estate to the Parish Council of North Tawton 'for the purpose of providing some useful memorial to myself'. If the testator had not used the words quoted, there seems to be no doubt that the gift would have been effective as an out-and-out gift to the Parish Council (though the Council might have found it necessary to seek the protection of a scheme before the gift was applied for any particular purpose).

As it was, the Court of Appeal held that the words quoted were not merely expository, but were intended to impose an obligation in the nature of a trust. The gift would still have been effective, had it been possible to say that its application was confined to charitable purposes, but the Court rejected an argument that the statutory power of a parish council (under Section 268 (1) of the Local Government Act, 1933) to accept gifts for local public purposes, or the benefit of the inhabitants of the area, was limited to gifts for charitable purposes, and that the gift in the instant case was therefore to be taken to be stamped with charitable trusts: nor were the additional powers conferred by Section 4 (1) of the Physical Training and Recreation Act, 1937, exclusively charitable, and Section 1 (1) of the Recreational Charities Act, 1958, had not had the effect of making them retrospectively

so. Nor was the gift charitable as being a gift for the benefit of the inhabitants of the parish: while the testator's intention was that the gift should be applied for a useful purpose, the utility was not confined to the inhabitants of North Tawton.

The Court of Appeal also rejected an argument that, even if the gift was not charitable, it was effective as falling within the anomalous class of cases in which trusts are upheld as being of a public character, although not charitable, provided that no question of perpetuity arises. In the result, the testator's residue fell to be distributed in accordance with the intestacy rules.

Payment Made to Avoid Sale by Sheriff

IN *Re Walkden Sheet Metal Co Ltd* ([1959] 3 All E.R. 333) a creditor of the company issued execution against it. A bailiff, who was an officer of the sheriff, went into possession, but on April 21st, 1958, an arrangement was come to whereunder £500 was paid to the bailiff by the company to avoid sale and the company undertook to pay off by instalments its indebtedness to the creditor. On May 7th, 1958, notice was sent to the sheriff of a meeting at which a resolution for the voluntary winding up of the company was to be proposed, and on May 16th, the company went into voluntary liquidation. The liquidator claimed the balance in the hands of the bailiff under Section 326 (2) of the Companies Act, 1948. The bailiff transmitted the balance in his hands to the under-sheriffs on May 27th. The liquidator also claimed this balance under Section 325 (1) and Section 326 (1) of the Act.

Wynn-Parry, J., held that both these last two provisions were inapplicable, because the sum paid to avoid sale was neither 'the benefit of the execution' within Section 325 (1) nor 'received in part satisfaction of the execution' within Section 326 (1). His lordship pointed out that 'the benefit of the execution, refers to the charge which is conferred on the creditor as a result of the issue of execution: money paid to avoid sale was not within that charge, but was paid to prevent the charge operating.' Section 326 (1) dealt with execution properly so called and the reference to money received did not include money received to avoid sale. His lordship said that Section 326 (2) was the provision which applied to the case. Therefore whether or not the liquidator was entitled to succeed depended upon whether or not, when notice of the meeting was given, fourteen days had already expired since payment to the sheriff. The answer to this depended upon what amounted to payment to the sheriff. For the liquidator it was contended that the fourteen days did not begin to run until the money was transmitted to the under-sheriffs, by which time notice of the meeting had already been served. Wynn-Parry, J., held, however, that time began to run when payment was made to the sheriff's officer, on April 21st, and accordingly the liquidator's application must be dismissed.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Auditors' Duties regarding Stock-in-trade

SIR, - When making his forceful criticism in your issue of December 19th with respect to quoted extracts from qualifications in the report on the accounts of Camp Bird Ltd, Mr J. H. Coles might reasonably have taken into account the exceptional difficulties, especially from the legal viewpoint, faced by auditors when making reservations, in view of the possible serious repercussions. It should also be said that the auditors referred to were, I think, among the first to shorten and also to simplify the form of report in general use under the Companies Act, 1948, and, by expressing their opinion on the accounts at the beginning of the report, in my view, greatly improve its presentation.

Of far greater current importance to the profession is the question of an auditor's responsibility in regard to stock-in-trade (including work in progress) particularly in view of this advertisement given prominence in *The Times* of December 29th last.

'City finance house interested in buying shares of companies whose trading stock is under-valued and would attract taxation on realization.'

The Council of the English Institute has given excellent guidance to its members in regard to the auditor's work and duties in relation to stock-in-trade and work in progress, including the distribution of Mr G. G. Goult's admirable address, 'Stock-in-trade and the auditor' (*The Accountant*, August 13th and 20th, 1949). In addition, we have the example provided by American auditors who regularly observe the stock-taking and make physical tests of the quantities held, thereby emphasizing the importance attached to the stock valuation in the U.S.A. Yet it must be admitted that the work carried out by many smaller professional firms in this country in verification of the stock valuation leaves very much to be desired and, not infrequently, complete reliance is placed upon the certificate given by officials of a company.

Of course, the smaller firm of accountants has many problems and its difficulties must command general sympathy. It is surely, however, entitled to expect a firm lead from the bigger professional firms and it was with concern that I read the following qualification of another eminent firm of auditors in *The Financial Times* of June 17th last on the profits of the ten years ended February 28th, 1959, of

Collingwood & Son Ltd, in connection with the marketing of 25 per cent of the share capital of that company:

'Although detailed records are maintained, in accordance with the long-standing instructions of the board over many years, we have not made any examination of the company's stock figures but have accepted from the secretary annual certificates as to their value and we have qualified our annual reports accordingly.'

I do not suggest that the above reservation in regard to a 'key' figure in the accounts necessarily vitiates the opinion expressed or that on grounds of professional propriety an auditor should not retain his appointment and make appropriate reservations year by year, but the imposition and acceptance of a continuing restriction upon the scope of an audit with reference to a vital figure in the accounts is surely quite contrary to the spirit of the Companies Act.

I am certain that the whole question of the auditors' duties in relation to stock-in-trade merits much greater consideration than it has consistently received and that a concerted effort by the profession is needed to bring about a big improvement in the general standard of audit work carried out on stocks, if the reputation of the profession is not to suffer.

Yours truly,

London, W8.

S. G. GRANT, F.C.A.

Do We Need a Public Auditor?

SIR, - After what we have seen recently in 'Finance and Commerce' on auditors' qualified reports, I feel sure the time has come for an extension of an auditor's duties.

Only a little extension. Merely that when an auditor qualifies his report on the accounts of a public company, he would be required to send a copy of the report so qualified to a public official - shall we call him the Public Auditor? - for information and action.

The Public Auditor would be placed by law in the position of a shareholder amply endowed with time and money, and it would be his duty to ask the board of directors for the answers, with power to examine on oath. And then, of course, to report his finding to shareholders.

I may put it crudely, but every auditor knows the void that exists between himself and the company's shareholders and how difficult it is for shareholders, as a body, to take action.

Did not the Board of Trade inspectors into the affairs of Hide & Co Ltd say: 'We are satisfied that in the existing state of the law this (qualification) was the only course open to the auditors?' The auditors, they said, were continually placed in a difficult and invidious position.

I put forward the idea in a simple form. Other readers may care to elaborate on it with suggestions as to what power and scope the public official should be given.

Yours faithfully,

Hornchurch, Essex.

W. GOOLD.

Treatment of Depreciation

SIR, - Recommendation 19, paragraph 42, says:

'Where depreciation or amortization is provided to a material extent on assets which do not attract capital allowances, or which attract capital allowances based on a smaller amount than that used for calculating the provisions, the position should be disclosed clearly in the accounts and there should be indicated the extent, if material, to which the depreciation or amortization will have to be provided in the future without relief from tax.'

Nobody seems to be complying with this, or am I wrong?

Are we:

(a) Too lazy?

(b) Beaten by the problem?

(c) In disagreement with the Recommendation?

Here is an attempt to deal with one particular case:

'In computing the charge for taxation herein £... (1958 £....) has been taken into account for relief on initial and investment allowances on capital expenditure in the year. Further, there is a discrepancy, inevitable in the present state of the law, between the charge for depreciation in these accounts and the taxation relief for wear and tear. This arises principally from the absence of taxation allowances for depreciation of commercial buildings and amortization of leases, and from inadequate allowances on plant and machinery acquired in the course of the merger with Ltd (dealt with on a share purchase basis). For this and other reasons the item depreciation in these accounts exceeds by approximately £.... (1958 £....) the amounts ranking for taxation relief including the aforementioned reliefs on capital expenditure in the year.'

Can anyone suggest any improvement on this and, in particular, any wording suitable to deal with the latter part of the Recommendation dealing with the future?

Are shareholders really any wiser now that they have got this information?

Yours faithfully,

Bradford.

DAVID STEELE.

Receipt Stamps and the Cheques Act, 1957

SIR, - I am surprised that the suggestion made by your correspondents in your issue of January 2nd, has not been raised before. The confusion over stamped receipts has become a nuisance, and breaches of the Stamp Act are not confined to small traders.

For my personal payments by cheque I now only request a receipt when it is required for a property maintenance claim. I insist on a stamped receipt, as I have presumed that the Inland Revenue still has some interest in these unintentional evasions of the Stamp Act, although I am beginning to doubt it. As some of these unstamped receipts arrive by post, it would save delay and expense if one were to affix the stamp oneself instead of returning the receipt for completion, but the legality of this alternative course seems doubtful, as the Stamp Act provides for stamping after execution under a penalty of £5. If one

tells the payee that a 2d stamp is required, one is met with incredulity.

I am aware that the Inland Revenue accept paid cheques as evidence of payment but unless the bank returns paid cheques as a matter of course, this method is just as troublesome.

The relevant sections of the Stamp Act should either be enforced or modified forthwith. Now that the advantages of the Cheques Act are becoming generally recognized, the cost of the latter course would be insignificant.

Yours faithfully,

F. V. ROWDEN, F.C.A.

Whitley Bay, Northumberland.

Estate Duty on Widows' Pensions

SIR, - I see from your issue of January 9th that under 'Notes and Notices' you refer under the heading 'Estate Duty on Widows' Pensions' to a recent statement issued by this Association to its members.

I would like to stress most emphatically that as mentioned in the statement in question the summary agreed with the Estate Duty Office represents the position 'as they would like it to be stated'. There is no question of this Association having come to any agreement with the Estate Duty Office on the basis which estate duty should be assessed.

Yours faithfully,

F. B. DAVIS, Secretary,
The Association of Super-
annuation and Pension Funds.

London, W8.

Office Mechanization

SIR, - Mr F. Barter's annoyance when office mechanization frustrates his efforts to obtain information is understandable, but why is comment superfluous? It is surely optimistic to expect large firms to design and maintain the cost of systems with a view to supplying *ad hoc* information to all and sundry, especially in this case where the client, presumably, bears little or no cost of record keeping.

As one of the younger and, dare I say it, progressive members of the profession who contribute to the installation of mechanized systems, may I be permitted to offer comment which is anything but superfluous?

In this age of higher education it is becoming increasingly difficult to recruit staff to carry out the arduous and monotonous tasks involved in outdated office systems, and many large firms are investing in mechanization for this very reason, quite apart from the increase in efficiency and reduced costs resulting from a proper installation of the system.

Regardless of the somewhat insular attitude of Mr Barter and the wistful desire of 'Abacus' for copper-plate book-keeping, office mechanization is here to stay and, together with factory automation, will contribute largely to an increase in our general living standards by lowering costs and working hours.

Yours faithfully,

JOHN TRANTER, A.C.A., A.C.W.A.
Croydon, Surrey.

Taxation by Intimidation

SIR, — In a case of which I have particulars, the Inspector of Taxes concerned suggested to a taxpayer's accountants, in what was alleged to be a 'wilful default' case, that by taking the matter to appeal before the Commissioners instead of accepting the Revenue figures, which the latter regarded as completely unrealistic, the taxpayer would almost inevitably be eventually required to pay maximum penalties instead of securing what was supposed to be a reasonable settlement.

While this may be regarded as little more than an

empty threat, it does indicate an attitude which appears to be very prevalent in many tax districts. To describe it as an attempt to deny the subject his statutory rights by means of what can legitimately be described as blackmail would appear to me to be no misuse of language. The appropriate action to be taken might well be to bring it to the notice of the Commissioners concerned, with the probability that it will be denied and/or explained as a misunderstanding.

Yours faithfully,

Leicester.

CECIL A. NEWPORT.

FOR STUDENTS**TRANSMISSION OF SHARES — I**

SHAREHOLDERS, with the exception of shareholders who are bodies corporate enjoying 'perpetual succession', are mortal, and one of the most regular duties arising in a company's registration department is that involved upon the death of a shareholder. The process of law known as 'transmission' insures that on such an occasion there is brought into existence some person or persons acting in a representative capacity with whom the company can deal in respect of the deceased member's shares.

The procedure upon the death of one of a number of joint-holders is different, however, from that to be followed where the deceased member was a 'sole' holder of shares, and the former procedure will be discussed first.

Joint-holders

On the death of one of a number of joint-holders, the shares vest in the survivor or survivors, and the company is not required to recognize the personal representative of the deceased joint-holder. Evidence of death, e.g., the death certificate, should be produced to the company for registration. The document itself will be stamped 'Registered' 'Exhibited', etc., and will be dated and signed on behalf of the company by the registrar or other registering-official. Particulars will be entered in the company's register of probates as set out below.

The share certificate will be endorsed 'Certificate of Death of.....produced the.....day of.....19.....'.

(Signed)....., Registrar'.

The name and address of the deceased joint-holder will be deleted in the register of members before a tick is inserted in the 'Entered in Register' column

shown below and the date of entry and a cross-reference to the particular folio of the register of probates, etc., will be inserted. Addressing machine plates may require correcting by omitting the name and address of the deceased joint-holder from the plate used for dividend counterfoils where this includes the names and addresses of all the joint-holders. Where the deceased joint-holder was the senior, the plates used for printing the actual dividend warrants in favour of the senior joint-holder will also require to be corrected.

Where a dividend mandate in respect of the joint-holding has been served upon the company, a fresh mandate will be required if the original mandate instructed payment in favour of the deceased joint-holder. If the original mandate was not in favour of the deceased joint-holder, some companies continue to act on the authority of the original mandate. Other companies may require a fresh mandate from the surviving joint-holders, presumably arguing that the wishes in this matter of the surviving joint-holders may be different from the wishes of the original joint-holders.

Although registration of a death certificate is sufficient in the case of the death of a joint-holder, probate or letters of administration may be produced to the company in lieu thereof. These documents are, of course, acceptable as evidence of death, but when the fact of registration is stamped thereon, a note should be added that the document was produced and registered in evidence of death only. Similarly, when entering the document in the register of probates etc., it is not necessary to record in the register the names and addresses of the executors or administrators.

It is not unusual for a company to be unaware of the death of a joint-holder until the receipt, for certification

Register of Probates and Letters of Administration

Name of deceased	Folio in Register	Entered in Register	Date registered by Company	Date of death	Date of Grant of Probate or L/A	Names and addresses of Executors or Administrators	Documents lodged by	Remarks
Smith, Arnold	112		31/3/59	28/2/59	Death certificate 3/3/59	—	Brown & Co, Old Broad St, London, EC2	—

or registration, of a transfer on which the signature of the deceased joint-holder is missing. The company will at once make inquiries, of course, and on ascertaining the facts will require the procedure already described to be followed before registering the transfer, since transfers must be signed by all the joint-holders.

Similarly, a company may find that after registering the death of one joint-holder, A., it subsequently receives notice of the death of the shareholder they had considered to be the survivor of the two joint-holders, B., the documents showing that the latter holder had, in fact, died first. Since, on the death of the last surviving joint-holder, the shares vest in his executors or administrators, the matter must be reopened, for the shares will legally vest, not in the personal representatives of B., but in the personal representatives of A. These must be contacted and requested to lodge the probate or letters of administration in respect of the estate of A.

It may be possible to avoid this difficulty if, on production to the company of evidence of death of a joint-holder, the person lodging it were asked to confirm that all the remaining joint-holders were still alive and to advise the company of their addresses.

Sole Shareholders

On the death of a sole shareholder (which, of course, includes the last surviving shareholder on a joint account) the procedure to be followed will depend upon whether the shareholder has died testate or intestate.

Where a shareholder dies testate, he has made a will, and a person or persons will be named therein as his executor(s). These persons, if they are willing to act as executor(s), will apply to the Court for probate of the will, empowering them to administer the estate of the deceased shareholder and to carry out the instructions contained in his will.

Section 82 of the Companies Act, 1948, provides that 'the production to the company of any document which is by law sufficient evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased person having been granted to some person shall be accepted by the company, notwithstanding anything in its articles, as sufficient evidence of the grant'.

Consequently, before recognizing the authority of the executor or executors of the deceased shareholder to deal with the shares, the company will require to be produced for registration either the actual probate, or some 'sufficient evidence' thereof. The document usually lodged is a photographic copy of the probate. Such copies, if under the seal of the Court, must be accepted as sufficient evidence of the grant, and as several copies can be obtained and distributed among the persons and concerns affected, they expedite the administration of the estate. Similar photographic copies of letters of administration are also obtained.

Where a sole shareholder dies intestate, i.e., without having made a will, the authority to administer his estate will be conferred by the Court by means of letters of administration. These are usually applied for by the widow or widower of the deceased shareholder, or his or her next of kin. Other persons interested in the estate of the deceased, however, e.g., a creditor, may also apply to the Court for the grant of letters of administration.

Registration of Probate or Letters of Administration

The company, on receiving notice of the death of the shareholder, will require production of the probate or letters of administration, as the case may be, together with the deceased member's share certificate. Particulars, including the names and addresses of the executors or administrators (often referred to comprehensively as the 'personal representatives') will be entered in the register of probates and letters of administration as already described, and the documents themselves will be stamped, dated and signed as having been registered with the company.

In the register of members, the name and address of the deceased shareholder will be deleted, and a note that he is 'deceased', with the date of death and a cross-reference to the register of probates and letters of administration, will be inserted. The names and addresses of the executors or administrators will be entered therein under their description as 'Executors' or 'Administrators', as the case may be.

Since the property in the shares legally remains vested in the deceased shareholder until his personal representatives either transfer the shares or have them registered in their own names, the share register should remain in alphabetical order of the name of the deceased shareholder and the annual return should be prepared on the same basis.

Any dividend instructions received from the deceased shareholder will be deleted, of course, as dividends must now be paid to the personal representatives as laid down in the company's articles, or in accordance with any fresh mandate the personal representatives may lodge.

On the deceased shareholder's share certificate a note of his decease will be entered against his name, his address will be deleted, and a reference made to the endorsement which will be made on the back of the certificate. This endorsement will be similar to the following:

*Probate of the will of the within named.....
.....who died on the.....day of.....19.....
has this day been produced to me and duly registered
in the company's books.*

*EXECUTORS.....
(Here insert the name(s) and address(es) of the
executor(s))*

Dated this.....day of.....19.....

For and on behalf of.....

Registrar.

Probate or letters of administration, with the duly endorsed share certificate, will be returned to the person who lodged them. Specimen signatures of the personal representatives may be required. Addressing machine plates, if in use, will be corrected; the plate of the deceased shareholder will be scrapped and a new one will be prepared in the names of the personal representatives with the addition of the words 'Executors (or Administrators) of..... deceased'. The names of the personal representatives, unless they request otherwise, may be entered in the register of members in the order in which they are stated in the probate or letters of administration.

(To be continued.)

Electronics in the Office

New Computer Centre for Anglo-French Company

THE data-processing centre and the first United Kingdom showroom of De La Rue Bull Machines Ltd, at 114-118 Southam Row, London, WC1, was opened on December 9th by Sir Christopher Hinton, K.B.E., F.R.S., M.A., chairman of the Central Electricity Board.

Referring to the union earlier this year between Thomas De La Rue & Co Ltd and Compagnie des Machines Bull, of Paris, Sir Christopher said that he looked forward to developments from the Bull company comparable with those they had so well evolved in the past.

The new company will market and maintain in the United Kingdom and the Commonwealth machines specially designed for use with sterling currencies, manufactured by Compagnie des Machines Bull—stated to be the largest producers of computer equipment in Europe.

During the opening ceremony, Mr A. G. Norman, chairman of the new company, announced that an order for a complete data-processing installation had been placed by the Royal Exchange Assurance. The value of the equipment involved is about £40,000, which includes a GAMMA 3 electronic calculator, a Bull Sterling Tabulator and an electronic sorter. The equipment, which will be delivered in March, will be used initially on dividend payment calculations and the operating staff will be trained at the new computer centre.

Course on Computers for Overseas Experts

A COURSE on British computers for overseas experts will be held by the British Council from February 7th to 20th, and is designed to provide a survey of available machines, their programming and their application in commerce. Visits have been arranged to computing establishments to illustrate the development of computer design in the United Kingdom and the practical results of laboratory research. Those attending the course will have opportunities in which to discuss problems with workers in this field.

A previous course on the subject was organized by the British Council in 1957, at which experts from Australia, and all over Europe, including Poland and Yugoslavia, attended.

The fee for the course which will be based in London, is £47, and further details may be obtained from the Courses Department, British Council, 65 Davies Street, London, W1, or at any overseas local British Council office.

N.A.A.F.I. Payroll by Computer

PAYROLL calculations at the headquarters of N.A.A.F.I. for 13,000 weekly-paid employees in the United Kingdom are now being performed by an I.C.T. Type 555 plugged-program electronic computer and it is also about to take over the monthly salary calculations for N.A.A.F.I. officials at home and abroad. When the necessary cards are ready the machine will also keep employees' personal records up

to date. There are plans to use the machine for testing the usefulness of electronic accounting in stock control and replenishment.

The computer is programmed by means of plug-type control panels, and information is read directly from punched cards at the rate of 6,000 cards an hour. With its ancillary equipment it replaces the conventional punched-card accounting machines which had been in use at N.A.A.F.I. headquarters since 1948.

Electronic Multiplier Aids Civic Accounting

THE success of the mechanized rate collection system operated by Sheffield Corporation is reported in the city treasurer's survey for the last financial year. The treasurer states:

'The benefits which are now being reaped include the balancing of the whole of the rating and water accounts within a week; the receipt of the rate income much earlier than before, and a substantial saving in loan interest charges. The money comes in more rapidly and with less trouble; the staff foresee immeasurably better prospects and are happy to be working in a department which has saved the city £20,000 a year.'

The key machine in the Sheffield Corporation installation is an I.C.T. Type 542 Electronic Multiplier which can deal at a constant speed with 6,000 punched cards an hour.

Forecasting Sales Trends

A LEO 11C computer, costing around £250,000, has been ordered by Ilford Ltd and will be used, initially, for the company's payroll, and for producing invoices and statements.

Another purpose of the computer will be to control the company's stocks in depots throughout the country, thus enabling the latest sales trends to be more quickly forecast.

The unit has a transistorized immediate access magnetic core store, and two large auxiliary drum stores. Information can be read simultaneously from magnetic tapes, perforated paper tapes and punched cards and results can, at the same time, be recorded on a 300-line-a-minute printer and on further magnetic tapes and cards.

Computing System for British Petroleum

AN electronic computing system has been ordered by British Petroleum Ltd, costing over £250,000. The system will be based on a Ferranti Mercury computer, which is stated to be the fastest machine of its type at present manufactured in Europe.

The ancillary equipment will include a converter unit which transfers information from magnetic tape to punched cards and vice versa, and facilities for printing data from magnetic tape on very high speed printing units.

The system is to be installed in one of the company's head office buildings in London, and is expected to be ready for use early in 1961. It is planned to use the equipment for data processing in connection with a range of operations in both the commercial and scientific fields.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, January 6th, 1960, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, M.C., Messrs J. Godfrey, G. G. G. Gout, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, Sir Thomas Robson, M.B.E., Messrs C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C. E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and members of the Secretariat.

Mr I. A. F. Craig

The Council received with regret the resignation of Mr I. A. F. Craig, O.B.E., B.A., as from December 31st, 1959, and recorded its appreciation of his services to the Institute as an Assistant Secretary since December 1957.

Mr Craig was appointed Assistant Secretary of The Society of Incorporated Accountants in September 1946. He became Secretary of the Society on January 1st, 1950, which appointment he held until the Society was integrated with the Institute.

Officers of the Institute

The Council resolved that as from January 1st, 1960, Mr F. M. Wilkinson, F.C.A., an Assistant Secretary, be appointed Deputy Secretary of the Institute and that Mr C. H. S. Loveday, F.C.A., Mr W. M. Allen, B.A., and Mr C. A. Evan-Jones, M.B.E., Assistant Secretaries, be appointed Under-Secretaries of the Institute.

Registration of Articles

The Secretary reported the registration of 256 articles of clerkship during the last month, the total number since January 1959 being 2,680.

Admissions to Membership

The following were admitted to membership of the Institute:

Bruce, Douglas Malcolm; A.C.A., 1960; Leigham Manor, Plympton, S. Devon.
Cherrington, Ronald Dennis; A.C.A., 1960; 70 West Way, Bournemouth.
Owusu, Jeremiah Dixon; A.C.A., 1960; P.O. Box 402, Accra, Ghana.

Robson, James Leathart, B.Sc.(ECON.); A.C.A., 1960; The Garden Flat, 45 Maresfield Gardens, London, NW3.
Scribbins, Philip Woodley; A.C.A., 1960; Rue de Beaumont, 11 Geneva, Switzerland.

Thorne, Barry; A.C.A., 1960; 59 Chestnut Road, Northampton.

Webb, Alan David; A.C.A., 1960; 21 Edinburgh Road, Queens Park, Northampton.

Fellowship

The Council acceded to applications from sixteen associates to become fellows under clause 6 of the Supplemental Royal Charter.

It was reported to the Council that 11,782 associates had become fellows on January 1st, 1960, in accordance with clause 6 of the supplemental Royal Charter.

F.S.A.A.

It was reported to the Council that 921 incorporated accountant members A.S.A.A. had become F.S.A.A. on January 1st, 1960, under clause 7 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Bell, Rodney George; A.C.A., 1958; (Critchley, Ward & Pigott), Boswell House, 1/5 Broad Street, Oxford; and at Bicester; also at Abingdon and Wantage, (Critchley & Co).

Berman, John David; A.C.A., 1958; 57 Belvedere Road, Leyton, London, E10.

Colley, James Edward; A.C.A., 1959; 38 South Street, Chichester, Sussex.

Darnell, John Raymond; F.C.A., 1960; (Darnell & Co), National Provincial Chambers, 7 Brookdale Terrace, Dawlish, Devon.

Flory, Peter Clifford, M.A.; A.C.A., 1956; 5 Lyndhurst Drive, Harpenden, Herts.

Goodall, David Philip; A.C.A., 1954; (Tiptaft, Smith & Goodall), 1 Cliff Street, Mexborough, and at Wombwell.

Gottesman, John Michael; A.C.A., 1959; 73 Aubert Court, Avenell Road, Highbury, London, N5.

Harwood, Peter Herbert; A.C.A., 1956; (Sharp & Jordan), 33 Blackfriars Street, Manchester, 3.

Hinton, Michael Herbert; A.C.A., 1959; (Sunderland, Mountstephen & Co), 15 Eastcheap, London, EC3, and at Ashtead.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

Hodgson, Thomas Thornton; F.C.A., 1960; (Lucraft, Hodgson & Co), 17 Queens Road, Brighton, 1.

Homer, Arnold John; A.C.A., 1957; 'Meadow End', Corngreaves Road, Cradley Heath, Staffs.

Kenmir, Edward Cawthorne; A.C.A., 1958; (Chipchase, Wood & Co), Barclays Chambers, Market Place, Durham, and at Bishop Auckland, Earnard Castle and Middlesbrough; also at London, (Chipchase, Wood & Jacobs).

Morris, Jacob; A.C.A., 1952 (Morris & Co), 6 Haven Court, Southbourne Overcliff Drive, Bournemouth.

Rossiter, Richard Welstead; A.C.A., 1957; Banff House, Downend Road, Downend, Bristol.

Shaw, Kenneth Graham; A.C.A., 1957; (Fred Thornley & Co), 121A Stamford Street, Ashton-under-Lyne.

Swann, Philip Reginald, ESC.(ECON.); A.C.A., 1955; (Norfolk, Pawsey & Co), 92 Station Road, Clacton-on-Sea, Essex.

Taylor, Michael Ronald; A.C.A., 1953; 78 Solihull Road, Shirley, Solihull, Warwickshire.

Thomas, Norman Gerard; A.C.A., 1958; (S. 1955); (Ross, Jones & Co), 6 Walter Road, Swansea, and at Cardiff.

Wood, John Alan; A.C.A., 1955 (*Wood, Aldrich, Saunders & Co), 34 Clinton Close, Kaphill, Woking, Surrey.

Admission to Membership under the Scheme of Integration

One application from a member of the Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter was refused.

Readmissions to Membership

Subject to payment of the amounts required by the Council, three former members of the Institute were readmitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

Admission Void

The Secretary reported that the admission to membership of the following persons had become void under bye-law 41:

Eekhout, David John; A.S.A.A., 1959; P.O. Box 1152, Johannesburg, S. Africa.

Scarr, William Lowther; A.C.A., 1959; Wharfedale Hall, Boston Spa, Yorkshire.

Resignations

The Council accepted the resignations from membership of the Institute of:

Aris, Douglas Heath; F.C.A., 1958; c/o Hays, Akers & Hays, 30 Cursitor Street, London, EC4.

Bean, Hubert Kenneth; (1958); A.S.A.A., 1953; Park Cottage, Hatcher Lane, Stonely, Huntingdon.

Beaver, George William; (1958); A.S.A.A., 1948; c/o Borough Treasurer's Dept., Town Hall, Wolverhampton.

Calvert, Stanley; (1958); A.S.A.A., 1926; Borough Treasurer, Borough Treasurer's Office, Town Hall, Wallsend-on-Tyne.

Disley, Harold Rostron; F.C.A., 1930; Overlea, Howard Drive, Hale, Cheshire.

Hunt, Royden Claude; A.C.A., 1958; (S. 1926); c/o Veller Snow & Co, 54 Quarry Street, Guildford, Surrey.

Stacpole, Frederick Aubrey, M.A.; A.C.A., 1922; 323 Salisbury House, London, EC2.

Whitbourn, Martin Samuel; A.C.A., 1958; (S. 1949); 14 Holly Road, Cove, Farnborough, Hants.

Williams, Fred; (1958); A.S.A.A., 1925; Five Oaks, Hunston, near Chichester.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Rupert William Allen, F.C.A., Croydon.

„ Philip Arnold Aspinall, A.C.A., Birmingham.

„ James Adams Austin, A.C.A., London.

„ John Wesley Brabner, F.C.A., Jersey.

„ Herbert Clifford Burgis, F.C.A., Leamington Spa.

„ Henry Samuel Critchley, F.C.A., Oxford.

„ Alec Thomas Fairbank, A.C.A., Worcester Park.

„ James Chaloner Gardner, F.C.A., London.

„ Richard Robert Gill, A.C.A., Southampton.

„ Charles Percy Griffiths, F.C.A., Birmingham.

„ Thomas Gibson Hensell, A.C.A., Blaydon-on-Tyne.

„ William Henry Heap Hutchinson, M.C., F.C.A., Hull.

„ Ralph Henry Jeffs, F.C.A., Pontypridd.

„ Dennis Kent Leach, A.C.A., Luton.

„ Reginald George Leese, A.C.A., Stoke-on-Trent.

„ William Henry McMinn, F.C.A., Leeds.

„ John Firth Maden, A.C.A., Bangor.

„ Carl Millington, A.C.A., Birmingham.

„ Robert Stanley Paterson, M.A., F.C.A., London.

„ John Edmund Peirson, F.C.A., Hadley Wood.

„ Claude Robinson, A.C.A., Nottingham.

„ Harry Rothwell, A.C.A., Blackpool.

Sir Frederick Rowland, Bt., F.C.A., London.

Mr Percy Gladstone Stembbridge, F.C.A., Birmingham.

„ Peter Edward Strickland, A.C.A., Pudsey.

„ Alfred Charles Surney, F.C.A., London.

„ William Thompson, A.C.A., Richmond, Surrey.

„ Tom Percival Whitney, A.C.A., Nelson.

„ Edward Gibson Williamson, A.C.A., Bradford.

„ Edward Wood, F.C.A., Burnley.

„ George Wood, A.C.A., Leeds.

FINDING AND DECISION OF THE APPEAL COMMITTEE

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on September 2nd and December 2nd, 1959.

The Appeal Committee heard an appeal against the Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Ian McEwen, A.C.A.,

was by an Order of the High Court of Justice dated February 9th, 1959, adjudicated bankrupt so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Ian McEwen, A.C.A., had been proved and the Committee affirmed the Decision of the Disciplinary Committee that Ian McEwen, A.C.A., of 7 The Ridgeway, Golders Green, London, NW11, be excluded from membership of the Institute.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

SEVENTY-FIFTH ANNIVERSARY CELEBRATIONS

In 1960, The Institute of Municipal Treasurers and Accountants will celebrate the seventy-fifth anniversary of its foundation. To mark the occasion a banquet is to be held in Guildhall, London, in June, during the course of the Institute's annual conference; a large and distinguished company from home and overseas will be present.

The office of treasurer, which is, of course, of great antiquity, was first given statutory recognition in 1835. At the time of the foundation of the Institute in 1885 great developments were taking place in the local government system: the Municipal Corporations Act, 1882, had consolidated and simplified the law relating to boroughs; the Local Government Act, 1888, created the administrative county councils; and the Local Government Act, 1894, created the urban and rural district councils. The inaugural meeting of the Corporate Treasurers and Accountants Institute was held at Manchester Town Hall on December 8th, 1885, and the seventy members of the new Institute were all treasurers and accountants of municipal authorities in England and Wales. The objects of the new body were: 'the discussion of questions relating to corporate finances and accounts, the interchange of opinions and experience, and generally to promote the efficiency of its members'. The first President of the Institute was the Borough Treasurer of Bolton, Mr George Swainson.

It will be noted that although historically the basis of membership of the Institute has been mainly employment with local authorities, recent extensions of the Institute's constitution and changes in legislation have extended the membership to include financial staffs of Government departments and public boards such as the electricity and gas undertakings.

In 1901 the Institute was incorporated under the Companies Acts in the name of The Institute of Municipal Treasurers and Accountants (Incorporated). A Royal Charter of Incorporation was granted in 1959. The Institute is not nor has it at any time been concerned with the personal interests of its members.

In addition to carrying out the normal functions of a professional and examining accountancy body, the Institute has since 1931 initiated and published a number of research studies into practical problems of local government finance, and each year issues several booklets of statistics of financial aspects of local government services. The Institute's monthly journal *Local Government Finance* was first published in 1896 under the title *The Financial Circular*.

1960 Conference

Throughout its existence, except in wartime, the Institute has organized an annual conference of its members. For many years these have been held in coastal resorts and provincial centres, but it was decided, on this special occasion, to hold the 1960 conference in London, at the Royal Festival Hall.

The conference will be attended by some 1,500 delegates consisting of members of the Institute, together with Lord Mayors, Mayors and Chairmen of Finance Committees of a great many local authorities. Most of the Institute members who will be attending are the chief financial officers of local and public authorities, and with delegates' ladies about 2,200 people will be attending. It is expected that the Institute will be joined on this occasion by a number of representatives of other accountancy bodies both from home and overseas. Overseas bodies who are expected to be represented include the Institute of Municipal Treasurers and Accountants (South Africa), the American Institute of Certified Public Accountants, the Municipal Finance Officers' Association of the United States and Canada, the Bundesverband der Vereidigten Buchprüfer, the Buchverband der Kommunal Rentmeister E.V., and the Federation Nationale des Receveurs Communaux de Belgique.

Eminent Speakers

In the past, the Institute conferences have been addressed by many eminent personages. The present Prime Minister addressed the conference in 1952, when he was Minister of Housing and Local Government, and Mr R. A. Butler spoke in 1955 when he was Chancellor of the Exchequer. Others who have given addresses in recent years include the Rt. Hon. Harold Watkinson, the Rt. Hon. Reginald Maudling, the Rt. Hon. Sir David Eccles, and the Rt. Hon. Henry Brooke.

This year, the speakers include the Rt. Hon. D. Heathcoat Amory, M.P., Chancellor of the Exchequer; the Rt. Hon. Henry Brooke, M.P., Minister of Housing and Local Government; and the Rt. Hon. Lord Morrison of Lambeth, C.H.

The seventy-fifth anniversary will be particularly marked by the banquet in Guildhall which will be attended by about 650 delegates, guests and ladies. The fiftieth anniversary in 1935 was also celebrated by a banquet in Guildhall.

Programme

The following is the programme of the conference and social functions:

Monday, June 13th - Afternoon

A commemorative service will be held at St Martin-in-the-Fields.

Evening

Institute reception at the Royal Festival Hall.

Tuesday, June 14th - Morning

- (1) Opening of conference by the Minister of Housing and Local Government, the Rt. Hon. Henry Brooke, M.P.
- (2) Welcome to overseas visitors and representatives of other bodies.
- (3) Consideration of Part A of the annual report of the Council and presentation of examination prizes.

Afternoon

- (1) Presidential address of Mr G. B. Esslemont, C.B.E., J.P., City Chamberlain of Glasgow.
- (2) Annual general meeting of the Institute.

Evening

Banquet in Guildhall.

Wednesday, June 15th - Morning

An address by the Rt. Hon. Lord Morrison of Lambeth, C.H.

Afternoon

A paper by the Comptroller and Auditor-General, Sir Edmund Compton, K.B.E., C.B.

Evening

London County Council reception at the County Hall.

Thursday, June 16th - Morning

- (1) An address by the Chancellor of the Exchequer, the Rt. Hon. D. Heathcoat Amory, M.P.
- (2) Investiture of new President.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS F. GEEN & Co, Chartered Accountants, of Victoria Chambers, Stoke-on-Trent, regret to announce the death, on December 25th, 1959, of Mr REGINALD GEORGE LEESE, A.C.A., a partner of the firm.

MESSRS FRANKLIN, GREENING & Co, Chartered Accountants, of Imperial Chambers, Norfolk Row, Sheffield, announce that Mr T. A. OGLEY, B.A.(ECON.), A.C.A., and Mr R. S. SANDERSON, A.C.A., were appointed partners on January 1st, 1960. The style of the firm is unchanged.

MESSRS MESSIK, ARTHUR & Co, Chartered Accountants, of 32 Savile Row, London, W1, announce that Mr L. COUSINS, A.C.A., who has been a member of their staff for some years, has been admitted as a partner as from December 4th, 1959.

MESSRS J. H. TREASE & Co, Chartered Accountants, of Notts Bank Chambers, Pellam Street, Nottingham, announce that Mr M. FLETCHER, F.C.A., has retired from business after forty-five years' association with the firm. Mr J. P. TREASE, F.C.A., will continue to carry on the practice, and the style of the firm remains unchanged.

MESSRS JARVIS, MAXWELL CHALMERS & Co, Chartered Accountants, of 230 Strand, London, WC2, announce that Mr H. BUXTON BROWNE, A.C.A., has been admitted as a partner in the firm, and that Mr GEORGE C. JARVIS, F.C.A., has retired from the practice. These changes took effect on January 1st, 1960.

MESSRS MITCHELL & BUNTING, Chartered Accountants, of 80-86 Lord Street, Liverpool, 2, announce that as from January 1st, 1960, they have admitted into partnership Mr STANLEY DUGDALE, F.C.A. The style of the firm remains unchanged.

MESSRS F. E. SIDAWAY, SON & Co, Chartered Accountants, of Blackheath and Halesowen, announce that on January 1st, 1960, they have admitted into partnership Mr ROBERT P. REARDON, A.C.A. The style of the firm remains unchanged.

MESSRS BLEASE & SONS, Chartered Accountants, of 223 India Buildings, Water Street, Liverpool, and at London, announce that Mr ALAN SCATTERGOOD, A.C.A., has been admitted to partnership as from January 1st, 1960. Mr SCATTERGOOD was articled at the firm's Liverpool office and has been a member of the staff there since qualifying.

MESSRS P. & J. KEVAN, Chartered Accountants, of 12 Acresfield, Bolton, announce the retirement as from January 1st, 1960, of Mr WILLIAM L. WHITEHURST, F.C.A., and Mr FRANK KIRKHAM, F.C.A., after connections with the firm of 65 and 59 years respectively;

they will still be available for consultation and will continue to deal with certain personal matters. It is also announced that Mr JOHN P. NIGHTINGALE, A.C.A., and Mr ALWYN C. R. THOMPSON, M.A., A.C.A., both of whom have been with the firm for some years, have been admitted to partnership as from January 1st, 1960. The name of the firm remains unchanged.

The firms of BUCKLE, SYKES & WEATHERLY, Chartered Accountants, of Chartered Bank Chambers, Penang, Malaya, and BROWN, PHILLIPS & STEWART, Chartered Accountants, of Hongkong Bank Chambers, Ipoh, Malaya, presently carried on by Mr E. H. SYKES, F.C.A., Mr F. WEATHERLY, M.C., F.C.A., and Mr B. H. ROBSON, F.C.A., announce that Mr NG WING KEUNG, B.SC.(LOND.), A.C.A., has been admitted into the partnerships as from January 1st, 1960. The titles of the firms remain unchanged.

MR JOSEPH COLLINS, F.C.A., and Mr JOHN HENRY FRANCIS, A.C.A., practising as Chartered Accountants under the style of BLAND, CARRVER & MCALPIN, at 3 St Martin's East, Leicester, announce that they have taken into partnership Mr COLIN MICHAEL TAYLOR, A.C.A., as from January 1st, 1960. The name of the firm remains unchanged.

MESSRS FOX, HOARE, HARRIS & TURNBULL, Chartered Accountants, of Bilbao House, 36 New Broad Street, London, EC2, announce that Mr GEOFFREY R. FOX, A.C.A., the elder son of Mr GRAHAM L. FOX, has been admitted into partnership as from January 1st, 1960.

MESSRS TURNER & HOUSTON, Chartered Accountants, of Gordon Chambers, 90 Mitchell Street, Glasgow, and Messrs McFARLANE, HUTTON & PATRICK, Chartered Accountants, of 243 West George Street, Glasgow, announce that they will be amalgamating their practices in April 1960 under the firm name of TURNER, HUTTON & PATRICK. The practice will be conducted from Gordon Chambers, 90 Mitchell Street, Glasgow, C1, where additional accommodation has been acquired, but until the necessary alterations are completed, the practice will also be carried on from 243 West George Street, Glasgow, C2.

MESSRS A. J. HARPER & Co, Chartered Accountants, of Finsbury Court, Finsbury Pavement, London, EC2, announce that they have admitted into partnership Mr LESLIE R. HALL-STRUTT, A.C.A., as at January 1st, 1960. The style of the firm remains unchanged.

MESSRS CRITCHLEY, WARD & PIGOTT, Chartered Accountants, of 1-5 Broad Street, Oxford, announce with regret the death, on December 24th, 1959, of Mr H. S. CRITCHLEY, F.C.A., senior partner and founder of the firm in 1906. The name of the firm will remain unchanged.

MESSRS SOMERSET COWPER & Co, Chartered Accountants, of 199 Piccadilly, London, W1, announce that as from January 1st, 1960, they have taken into partnership Mr PETER ROBINSON, A.C.A., both as regards their London practice and their Newbury practice (Messrs JAMES & COWPER). The styles of the respective firms remain unchanged.

MESSRS C. HERBERT SMITH & RUSSELL, Chartered Accountants, of Devonshire House, 40/42 Great Charles Street, Birmingham, 3, announce that Mr N. J. MASTERTON, A.C.A., has been admitted as a partner as from January 1st, 1960. The practice will continue under the same firm name and at the same address.

Appointments

Mr W. W. Fea, B.A., F.C.A., chief accountant of John Lysaght Ltd, has been appointed a director of the company.

Mr N. R. R. Brooke, C.B.E., F.C.A., formerly a joint managing director of Guest, Keen & Nettlefolds (South Wales) Ltd, has been appointed sole managing director.

Mr H. W. A. Waring, C.M.G., F.C.A., has been appointed a director of Guest, Keen & Nettlefolds Ltd.

Mr Alan R. Clapham, F.C.A., chief accountant and assistant secretary of Boosey & Hawkes Ltd, has been appointed a director of the company.

Mr Henry Newman, F.C.A., has been appointed a director of Procea Products Ltd.

Mr F. W. Harper, F.C.A., has been appointed a director of Tanah Datar Rubber Estate Ltd.

Mr C. R. B. Townend, M.A., A.C.A., secretary of Belling & Lee Ltd, has been appointed to the board of executive directors with effect from January 1st.

Mr A. A. Heaps, A.C.A., has been appointed secretary of Joseph Cockshoot & Co Ltd.

Sir Reginald Wilson, B.COM., C.A., chairman of the Eastern Area Board, British Transport Commission, has been appointed chairman of the London Midland Board as from next April.

Lieut.-Col. P. F. Benton Jones, O.B.E., M.A., F.C.A., has joined the board of Gerrard Industries Ltd.

Mr G. A. Rider, F.C.W.A., financial director of Birmid Industries Ltd, has been appointed deputy managing director of the company.

OBITUARY

Herbert Clifford Burgis, F.C.A.

It is with regret that we record the death at the age of 60, of Mr Herbert Clifford Burgis, F.C.A., a former partner in the firm of Burgis & Bullock, Chartered Accountants, of Leamington.

Admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1921 and elected a Fellow in 1932, Mr Burgis was the grandson of the founder of the Leamington store, Burgis & Colbourne, and for thirty years was secretary of the company until his retirement a year ago.

A director of the *Leamington Morning News* and of Permanite Ltd, Mr Burgis was the first secretary of the Leamington Chamber of Trade and later held the office of treasurer until he retired in 1958. He was also a past chairman of the Leamington Conservative Association, a past treasurer of the Leamington Conservative Club and secretary of the Parochial Church Council.

Henry Edward Keeler, F.C.A.

We have learned with regret of the death at the age of 77, of Mr Henry Edward Keeler, F.C.A., senior partner in the firm of C. J. Ryland & Co, Chartered Accountants, of Bristol and Weston-super-Mare.

Born in Bristol and educated at Queen Elizabeth's Hospital and University College, Bristol, Mr Keeler commenced his career in 1897 in the office of the late Mr C. J. Ryland and was articled to the late Mr Thomas F. Sharp in 1900. Admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1905, Mr Keeler was elected to Fellowship in 1927 and became senior partner in his firm in 1928.

He took an active interest in religious and philanthropic work and was closely connected with the Wesleyan Methodist Church.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Dinner at the House of Commons

The President of The Institute of Cost and Works Accountants, Mr Edward Emmerson, F.C.A., F.C.W.A., gave a dinner party in the Members' Room at the House of Commons last Wednesday. The company totalled about 100, composed of Sir Edmund Compton, K.B.E., C.B., Comptroller and Auditor-General; The Rt. Hon. Lord Ritchie of Dundee, Chairman of the Council of the Stock Exchange; His Excellency Dr A. J. R. van Rhijn, High Commissioner for the Union of South Africa; and

Messrs W. G. Agnew, C.V.O., G. H. Andrew, C.B., Algernon Asprey, T. W. Badgery, F.C.W.A., Sidney Barton, J.P., Captain C. R. Benstead, M.C., M.A., R.N.(rtd.), Messrs Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., J. G. M. Birss, M.A., A.C.W.A., W. Bishop, C.A., F.C.W.A., W. T. Bishop, F.R.I.C.S., G. R. Booth, A.C.W.A., J. Borsay, F.C.W.A., P. J. C. Bovill, J.P., Frank Bower, C.B.E., Alan Brown, B.C.L., M.A., Sir Harry Campion, C.B., C.B.E., Messrs H. Desmond Carter, M.I.MECH.E., L. F. Cheyney, F.I.M.T.A., F.S.A.A., G. P. Clarke, F.C.W.A., B. G. Cockle, J. Cooper, F.C.W.A., T. B. Degenhardt, M.A., A.C.I.S., W. Coutts Donald, C.A., F.C.W.A., J. Drinkwater, Derek du Pré.

Messrs H. Eason, Franklin Engelmann, G. B. Esslemont, C.B.E., J.P., LL.B., C.A., F.I.M.T.A., H. P. Finn, F.C.A., Sir Archibald Forbes, C.A., Messrs John French, H. J. Furness, F.C.W.A., R. B. Garnham, F.C.W.A., B. R. George, W. E. Harrison, F.C.W.A., F. M. W. Hird, F.C.A., F.C.W.A., H. C. Hodgson, F.C.A., F.C.W.A., A. Holdsworth, B.COM., F.C.W.A., A.A.C.C.A., C. F. Howell, F.C.W.A., T. C. Hudson, W. Jackson, F.A.C.C.A., The Rt. Hon. Lord Jenkins, P.C., Messrs F. W. Kew, A.C.W.A., H. Kirkham, F.C.W.A., J. C. Latham, D.L., F.A.C.C.A., F.S.A.A., F.C.I.S., The Rt. Hon. Lord Latham, J.P., F.A.C.C.A., Messrs Thomas Lister, M.A., C.A., Leo T. Little, Ernest Long, F.S.A.A., F.I.M.T.A., Dr K. W. Luckhurst, M.A., Messrs D. Macdougald, F.C.I.S., E. H. V. McDougall, Alan S. MacIver, M.C., B.A., N. McKee, A.C.W.A., A. Marshall, F.C.W.A., L. W. Millett, D.F.C., S. W. Mills, J.P., F.C.W.A., The Rt. Hon. Lord Milne, B.A., C.A., Messrs C. D. Morley, Ian T. Morrow, C.A., F.C.W.A., A. W. Muse, F.C.W.A., F.A.C.C.A.

Messrs Gordon Newton, J. Nicholl-Carne, G. Nicholson, F.C.W.A., Sir Charles Norris, K.B.E., C.B., D.S.O., Messrs F. Nuttall, F.C.W.A., W. Stuart Orr, B.A., LL.B., A.C.A., F. Cameron Osbourn, M.B.E., B.A., LL.B., A. A. Part, M.B.E., C. U. Peat, M.C., M.A., F.C.A., John F. Phillips, O.B.E., LL.M., F.C.I.S., Councillor Group Captain G. H. Pirie, C.B.E., J.P., Sir Richard Powell, K.B.E., C.B., C.M.G., Messrs C. E. Power, F.C.A., F.C.W.A., C. W. Roy Procter, G. Ronald Pryor, M.I.PROD.E., F. M. Redington, M.A., F.I.A., Sir Gilbert

McCall Rennie, G.B.E., K.C.M.B., M.C., Messrs A. E. Richardson, O.B.E., W. S. Ris, B.COM., C.A., F.C.W.A., Lawrence W. Robson, F.C.A., F.C.W.A., F. W. H. Saunders, F.C.W.A., L. W. Seddon, F.C.W.A., J. Shields, F.C.W.A., F. Simmonds, F.C.W.A., Rear-Admiral Sir Matthew Slattery, C.B., D.S.C., F.R.A.E.S., Messrs H. Smith, F.C.W.A., Geoffrey Stevens, F.C.A., M.P., G. C. Stone, F.C.W.A.

Councillor Lieut.-Col. H. C. S. Thomson, O.B.E., J.P., F.C.A., Messrs R. H. Tizard, B.A., M.I.E.E., A. Tuck, S. C. Tyrrell, F.C.W.A., The Rt. Hon. The Earl of Verulam, M.A., COMP.I.E.E., J.P., Messrs George Walker, O.B.E., D. McCloy Watson, LL.B., F.C.A., Arthur E. Webb, Ralph E. Weindling, Sir Cecil Weir, K.C.M.G., K.B.E., A.C., D.L., Messrs J. Reed Wilkinson, R. Willis, H. Wilton, C.B.E., F.C.W.A., J. P. Wilson, F.C.W.A., A.C.I.S., D. J. Young, C.A., F.C.W.A., His Excellency Lieut.-Gen. Mohammed Yousuf.

Mr Emmerson welcomed the guests and Mr Franklin Engelmann responded. There were no formal speeches.

THE INSTITUTE OF ACTUARIES

New President

Mr J. H. Gunlake, C.B.E., has been elected President of The Institute of Actuaries in succession to Mr F. M. Redington, M.A., whose term of office will expire on June 27th.

Future Meetings

An ordinary general meeting of the Institute will be held in Staple Inn Hall, on January 25th, at 5 p.m., when a paper by Mr A. H. Gould, B.Sc., F.I.A., entitled 'Operational research, its methods and application: a review and prospect', will be submitted.

On February 22nd, Mr J. J. Finelli will present a paper entitled 'Installing electronic procedures - a progress report'.

CERTIFIED ACCOUNTANTS' LUNCHEON

A luncheon meeting of The Association of Certified and Corporate Accountants - the second in the 1959-60 series - was held at the Connaught Rooms, London, last Monday. Mr William Jackson, F.A.C.C.A., President of the Association, presided and 200 members and guests were present to hear Supt. G. Salter, of the Police Laboratory, New Scotland Yard, talk about his experiences in forensic science.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The committee of the London and District Society of Chartered Accountants express regret for the postponement of the meeting arranged for last Tuesday which was to have been addressed by Mr Harold Wincott. Mr Wincott, who recently had the misfortune to meet with a slight accident which has obliged him to cancel his appointments for a short time, has promised to give his address on 'Every man an investor' at a later date.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will be held at *The Russell Hotel*, Russell Square, London, W.C.1, at 6 p.m. for 6.30 p.m. on Wednesday next, January 20th. A Principal Inspector of Taxes will lead the discussion on 'The relationship between the Inland Revenue and accountants', and will give an idea of the work of his department.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the South Wales and Monmouthshire Society of Chartered Accountants will be held at *The Park Hotel*, Cardiff, at 7 p.m. on January 28th, when Mr K. S. Carmichael, A.C.A., will speak on 'Back duty'.

The Society's annual dinner will be held on February 19th, at 6.45 for 7.15 p.m. at *The Park Hotel*, Cardiff.

THE INSTITUTE OF INTERNAL AUDITORS

Newcastle Chapter

The next meeting of the Newcastle Chapter of The Institute of Internal Auditors will be held at 7 p.m. on February 4th, at The County Hall, Newcastle upon Tyne, when a talk on 'Acquiring a management outlook' will be given by Mr J. Shields, F.C.W.A., group cost comptroller, Richardsons Westgarth Ltd.

Inquiries regarding membership of the Chapter should be addressed to Mr J. R. Newsome, 19 Larchwood Avenue, Woodlands Park, near Gosforth, Newcastle upon Tyne.

East Midlands Chapter

A meeting of the East Midlands Chapter of The Institute of Internal Auditors will be held on Wednesday, January 27th, at 7 p.m., at the Y.W.C.A., Shakespeare Street, Nottingham. An address will be given by Detective Superintendent R. Fletcher, Nottingham City Police, on 'Fraud in commerce'.

An invitation is extended to interested non-members. The Chapter Secretary is Mr E. V. Aspin, National Coal Board, East Midlands Division, Sherwood Lodge, Arnold, near Nottingham, from whom further information concerning activities of the Chapter may be obtained.

MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

Social Meetings

In response to requests from members, the Social Committee of the Manchester Chartered Accountants' Students' Society has arranged an informal dance, to be held at *The Heaton Park Hotel*, on Friday, February 12th, from 7.30 p.m. to 12 midnight. Dress will be informal and the cost of a double ticket (including buffet supper) will be 17s 6d. A limited number of single tickets will be available at 9s. Applications for

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tickets should be made to the Assistant Secretary's Office, 46 Fountain Street, Manchester, 2, accompanied by the appropriate remittance. The closing date for applications is February 1st.

The Committee has also arranged for a 'Who goes home' meeting at 6 p.m. on Friday, February 5th. The Conservative Party will be represented by Sir Hamilton Kerr, Bt., Member of Parliament for Cambridge, and Mr Jack McCann, Member of Parliament for Rochdale, will represent the Labour Party.

The meeting will be held at the Chamber of Commerce, Ship Canal House, and those wishing to attend should notify the Assistant Secretary not later than January 29th.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Reading Branch

A lecture on 'Liquidations', by Mr J. Ness Prentice, M.B.E., B.A., F.C.A., will be given at 7 p.m. on Thursday next, January 21st, at *The Great Western Hotel*, Station Road, Reading; refreshments will be available.

LESS PAPER?

A two-day course on 'Less paper' is to be held at *The Piccadilly Hotel*, Piccadilly, W1, on January 27th-28th.

The purpose of the course is to help those responsible for administration to check the present load of paper work and to establish the essential minimum. Among the subjects covered will be the assessment of the control data required, planning of programme and clerical work, and records management. Speakers will be Mr Oliver W. Standingford, F.O.M.A., F.B.I.M., and Dr James M. S. Risk, B.COM., PH.D., M.O.M.A., F.B.I.M.

The fee for the course, which includes morning coffee, lunch and tea at the hotel, is fifteen guineas and reservations forms are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

LOCAL GOVERNMENT FINANCE

Local authority rate fund services, other than trading services, cost £1,437½ million in the financial year 1957-58 - an increase of £122½ million compared with the previous year. These figures are among details of the income and expenditure of English and Welsh local authorities for 1957-58 published recently.¹

Other changes noted in the statistics include an increase of £29½ million in payments made by council tenants and those making use of other rate fund services. The income from rates rose by £35½ million to £530½ million. Government grants, including capital grants, rose by £49½ million to £627½ million.

Capital expenditure, at £500½ million, was lower than in 1956-57 by nearly £32½ million. This figure includes nearly £51 million for advances on mortgage

to private individuals for house purchase. The turnover of the trading services again increased to £207½ million (£195 million in 1956-57).

Debt, after deducting sinking funds and sums repayable for nationalized services, amounted at the end of the year to over £4,935 million - an increase in the year of some £349 million.

The remuneration of local government officers and employees cost nearly £782½ million - an increase of nearly £65 million.

HOW THE CITY WORKS

A conference on 'How the City works' is to be held in London from February 23rd-24th by the Industrial Welfare Society. The conference is designed to provide company directors and senior industrial and commercial executives with an understanding of the City's activities.

Among the speakers at the conference will be Sir Jeremy Raisman, deputy chairman, Lloyds Bank Ltd, Mr Harold Wincott, editor, *Investors' Chronicle*; Sir Edward Reid, of Baring Brothers & Co Ltd and chairman of the Accepting Houses Committee; Sir Antony Macnaughten, manager, Alexanders Discount Co Ltd; Mr Ronald C. Quirk, a member of the Council of the London Stock Exchange; Sir Nutcombe Hume, chairman, The Charterhouse Group Ltd; and Mr Edward D. L. Du Cann, managing director, Unicorn Securities Ltd.

Further particulars regarding the conference are obtainable from the Industrial Welfare Society, Robert Hyde House, 48 Bryanston Square, London, W1.

FRANCES WOOD MEMORIAL PRIZE

The Council of the Royal Statistical Society is offering the Frances Wood Memorial Prize of fifty guineas for competition in 1960. As the object of the prize is to encourage young investigators, competitors must be under the age of 35 on January 1st, 1960. The prize, for which accountants are eligible, is offered for the best investigation, on statistical lines, of any problem, chosen by the competitor, which bears directly or indirectly upon economic or social conditions.

This phrase may be interpreted widely and might, for example, concern housing, distribution, food production, conditions of work, output, wages or expenditure, education or old age. The investigation should be made from material obtained by original observation or analysis carried out in the course of the competitor's ordinary work or special research. The treatment must be mainly statistical and where detail can with advantage be presented in the form of tables and diagrams, such methods should be freely used. Essays should be between 5,000 and 10,000 words and must be submitted by December 31st, 1960.

Further details may be obtained from the honorary secretaries of the Royal Statistical Society, 21 Bentinck Street, London, W1.

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¹ *Local Government Financial Statistics, England and Wales, 1957-58*. H.M.S.O., 1s 3d net.

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An Interesting Decision

NEWS has come of the decision by a leading industrial company to contract all its employees out of the National Insurance Act, 1959. That a decision such as this could have been reached so soon by Ind Coope Ltd speaks highly of the thoroughness with which the matter must have been tackled but it may well be the forerunner of many similar decisions.

As has been shown previously in *The Accountant*, for many employees the graduated retirement benefits under the National Insurance Act are not a good bargain for the contributions. What is, perhaps, surprising is that Ind Coope should have decided to contract out all their male and female employees. There must be a good many of the lower paid employees who will have to pay higher contributions to National Insurance as a result of the decision to contract out, as well as the contributions to the company's own pension scheme. Some cost could surely have been saved by splitting the membership on this point but no doubt it was decided that it was tidier to deal with all in the same way.

In reaching their decision Ind Coope have discontinued their pension scheme with an insurance company and have set up an invested trust fund, a method which, though popular, does not receive much publicity. At the same time several improvements have been made: the retirement pension has been increased, the minimum term before a pension may be taken is reduced and widows' and orphans' benefits have been introduced. The pension is 17s 6d for ten years' service, rising to £2 15s 3d for forty-seven years (with higher rates for chargehands and foremen), in addition to the basic National Insurance pension. This is more than the maximum graduated pension which commences to accrue from April 1961 under the 1959 Act and in which Ind Coope employees will not participate. Nevertheless, when an employee leaves he or she will be assured of a paid-up pension at least equal to the maximum graduated pension even though his earnings have been less than £15 per week.

In announcing the company's decision MR EDWARD THOMPSON, the chairman, gave as their reasons that it is more suitable that the employer should make pension provision, that it would be unnecessarily complex to try to build on top of the national graduated pension, that a private scheme is more personal, that an interest-bearing fund is built up and that the arrangement is more flexible.

The decision is interesting if only because it has been said in some quarters that contracting out will become a dead letter because of its complications. At least one company has shown that it regards contracting out as a simplification. •

Stores Control and Administration

by B. C. CRANWELL, A.I.M.T.A., A.C.C.S.

STOCK control, accounting for stores and allied problems are often treated less seriously than they deserve. It is probably true that many matters involved in stores accounting are of a rather routine character, but even so this does not provide sufficient reason to treat these problems lightly. It does not require emphasis to readers of this journal to stress the importance of controlling the receipt and issue of stores, which, in the majority of cases, form a high percentage of the working capital employed.

One readily accepts the need to control the receipt and payment of money, but strangely enough when this asset is converted into money's worth, for some unaccountable reason the asset then tends to lose its importance. This situation is, of course, not true in all cases; many companies have devised very efficient systems and have developed them to a high peak of performance. Conversely, the administration of stores and their control in many organizations leave much to be desired.

It is the purpose of this article to discuss some of the problems which are associated with stores and the control thereof, which have a common application to organizations both large and small. The emphasis in certain cases will, of course, vary according to the type, size and class of the business, but essentially the differences are purely differences of degree.

Siting and Accommodation

Quite often, due to circumstances beyond the control of the firm and arising from such factors as difficulties in raising capital, obtaining suitable sites and other technical issues such as obtaining planning consents and the like, the question of providing adequate storage has been a problem of the first order. The consequence being that old buildings and leasehold premises which were never designed as storage accommodation have had to be brought into use. Although there are obstacles to be overcome, the fact nevertheless remains that without purpose-designed storage facilities, management cannot hope to exercise the necessary degree of control over stocks and stores.

The problem is, in the first instance, twofold – the location including choice of site, and the

design of the store. The choice of site, although theoretically easy of solution, is by no means so when put into practice. Premises which may be ideally situated may not be capable of adaptation as a store without considerable expense, thus the idea of leasing premises may not be so attractive a proposition as may at first appear.

Confronted with this difficulty the alternative is to build a central store at some point which is possessed of the best features geographically. This promotes the question whether to have a main store situated as centrally as possible and combining the advantage of location to distribution points and within reasonable distance from the rail services. Ideal conditions are very difficult, if not almost impossible, to attain, but nevertheless it is always advisable at least to have in mind the theoretically ideal situation.

The alternative to a central store is a series of sub-stores with or without a central store. A factor which should be taken into account is the area of distribution: if distribution is particularly localized then a central storage depot may be adequate; on the contrary, an organization with a wide area of distribution would doubtless find greater advantage in establishing a number of sub-stores. Furthermore, the class of goods – perishable and non-perishable, heavy or light – rate of turnover, and frequency and area of demand are all issues to which the closest consideration has to be given. A group of sub-stores will require duplication of records to some extent, and the maintenance of a high degree of central co-ordination and control if over-stocking is to be avoided and surplus stocks at one store are to be deployed to effective use at other user points.

Problems of administration and staffing will have to be carefully assessed in deciding whether a central or sub-store organization is to be established. In the preliminary considerations one important fact should not be overlooked: it is a far better economic proposition to arrange supplies to be delivered direct to user points, thus avoiding both handling and storage problems and expenses. It is true that this point alone will seldom be the deciding factor as to whether or not a store should be established, but at least it hits directly at an associated and highly important issue: the manner in which a store may be most

economically employed. Clearly the greater the extent to which goods can be delivered direct to user points, the more storage space will be available for 'stock' items. In point of fact, these factors may well influence the design and capacity of a proposed store.

Store Design and Layout

So far, consideration has been given to certain factors which have to be faced and decisions reached upon location problems. What of the store itself? It has already been stated that, generally speaking, very often far too little attention is paid to the design and layout of stores premises. If there is any question of lack of thought in stores planning, this will sow the seeds of inefficiency and ultimately financial loss to any organization.

The layout and planning aspects are, of course, essentially matters for the architect; but this does not mean that the layman can completely absolve himself from giving some constructive thought to this matter. The accountant, particularly, can bring to bear certain ideas gained from his own experience in stores administration, and certain fundamental requirements which to the architectural designers may not be apparent would be commonplace to him. Let us consider some of the principal points.

Racking and bin storage. There are now a number of very good systems of racking which are of easy construction, sectionalized and allow for additional units to be added as the need arises. The modern systems of sectional units have great advantages over permanent fixtures which do not provide the flexibility for future expansion or alteration. The bins, or storage units themselves, should, wherever possible, be designed to suit the type of commodity concerned.

It goes without saying that the containers should be easily accessible, light and clearly labelled. The arrangement of the bins is also important. In this respect one may have to give consideration to ease of issue by siting 'high turnover' items nearest to the issue counter; on the other hand, stores may be grouped in catalogue order by means of reference numbers. The question of indexing stores via a catalogue is a topic which is dealt with in more detail later in this article.

Stores layout. Here again is a most important aspect of stores administration which so often gets overlooked. A good ramp and loading bay to receive all stores and to issue the larger items is essential. This facility will speed up the handling and flow of goods tremendously and will provide

an opportunity to measure, check or weigh consignments upon delivery and assist in detecting errors, omissions and damage. Thought should also be given to the use of lifting and stacking trucks, and similar devices which help to speed up the manual operations involved.

The issue counter should be away from the loading bay, properly designed and sited with a view to providing easy accessibility to both storekeeper and user.

Lighting, heating, air condition and temperature are matters which require their fair share of attention. Lighting and heating arrangements may present themselves as items requiring attention, but air temperature can be even more important and close study of the conditions most suitable for the range of goods stored can repay high dividends by eliminating the danger of stock deterioration and wastage.

Security. A well-planned store should also have well-planned security arrangements. The statement has already been made that often a high proportion of working capital is tied up in stores. It therefore behoves the accountant to take all necessary steps to satisfy himself that adequate security arrangements are enforced to minimize potential losses from pilferage.

There are many ways and means of attaining security, e.g. adequate insurance cover against all possible contingencies; a simple code of stores regulations; the appointment of a reliable storekeeper. This latter point is worthy of special comment. Very often the person in charge of the stores has no specific training for the post, has little or no clerical ability and is charged with considerable responsibility without having the remotest idea of his sphere of duties. A little more attention paid to the appointment and training of stores personnel, coupled with clear acceptance of the fact that the job of storekeeper is not a last outpost for misfits, can lead to greater security and efficiency in stores administration.

Storage Capacity

If the maximum benefit is to be derived, not only must the store be properly planned but every square yard must be productively employed. To achieve this objective is no easy matter; indeed, it is a practical problem of some magnitude and there would appear to be no tailor-made solution. Probably the first step is to recognize the fact that storage space which is ill-employed is uneconomic and thus a drain upon the financial resources of any organization. This, of course, is plain

common sense, but unfortunately it is the simple issues and the basic principles which are so easily overlooked.

A store may be ill-employed for a variety of reasons: it may be badly planned in the first instance with the result that it may be either too large or too small for the desired purpose; in either case it constitutes a liability to the organization unless counter measures are taken, in the former case to employ the space for purposes other than storage or in the latter case to acquire additional accommodation. Neither of these stop-gap measures can be considered completely satisfactory.

The store which is fully stocked may not necessarily be working at optimum capacity, but it is not always easy to detect this without a certain amount of inquiry and analysis. A store which is fully employed for only a proportion of the time is unlikely to be paying its way. Similarly a store which is overstocked (in the sense that its holdings are well in excess of the accepted turnover rate due to over-ordering or hoarding of redundant stocks) is equally as unproductive. Faced with these problems the obvious first line of approach is to institute frequent stock reviews. This may not be the complete answer, certainly it will only be a preliminary step to other measures in many cases, but attention to this aspect of store control is likely to sift much of the trouble and provide a clear path for further investigation.

Stock Limits

It is of the greatest importance that stocks should be maintained as low as practicable with emphasis upon high turnover. This is the essence of maintaining store holdings at the most economical level. The dangers inherent in excessive stock holdings are well known: valuable storage space is wasted, stocks are more vulnerable to obsolescence and wastage through evaporation etc., additional clerical work is involved in stores handling and administration, and there is a loss of interest on capital. These are all serious matters and warrant careful attention if such dangers are to be avoided.

In order to attain the desirable position of holding just sufficient stocks to meet demands as and when required, some means has to be devised to fix minimum and maximum holdings of each commodity. To determine these levels close co-ordination is required between the accountant, storekeeper and technical officers concerned. The maximum/minimum levels are valid in a dynamic business for short periods only, and frequent reviews are necessary to get beneficial results

from this arrangement. It would be an invidious task to try and generalize upon the technique of fixing stock levels; much depends upon the particular business and the extent to which seasonal fluctuations are involved.¹ Certain stocks, e.g. cleaning materials, lend themselves to assessment by reference to past consumption rates; for other items - heavy specialized equipment - past consumption may have almost no relevance. It is apparent that a good deal of specialized knowledge is helpful together with measured forecasts of future consumption based upon contracts to be negotiated.

From the accountants' viewpoint stock levels are not the only criterion. Whatever levels are fixed, they need financing and there is a good deal of merit in placing a value limit in addition to a numerical limit. This procedure does not necessarily introduce complete inflexibility to stores administration; certainly it exercises an additional control, but this of itself is not a bad thing provided the value ceiling is frequently reviewed. The fundamental point of this control concerns cash resources, without a value limit the cash budget can be thrown hopelessly out of gear and if only for this reason the joint use of numerical/value limits should be carefully explored.

Stock Coding and Machine Accounting

In an article of this character only the briefest reference to machine accounting is possible. However, it is a topic so relevant to the main considerations involved in stores control that it would be an omission if some mention of it was not made.

The question of whether or not to introduce machine accounting is a matter for local decision, and no attempt will be made here either to justify, or argue against, its introduction. However, in so far as punched-card systems are concerned directly in facilitating financial and management control over stocks a few comments are opportune.

First, stock movement. Already emphasis has been placed upon frequent stock reviews as a means of making the best possible use of store space. Through the medium of punched cards these reviews may be converted into a simple operation by providing information of turnover dates on each balance card thus enabling a speedy review to be undertaken of stocks. Slow-moving or redundant stocks may be pin-pointed and appropriate action taken.

¹ A new mathematical technique based on the exponential law to forecast future demand and to determine safety stocks was the subject of an article in *The Accountant* of November 14th, 1959.

With any form of punched-card application, a system of coding is an essential feature of the planning. This being so, one is soon prompted to inquire into the question of adapting a code system for each item of stores. It will be clear that although a code system is a prerequisite to this type of machine accounting it can, with great benefit, be implemented in conjunction with a manual accounting system.

The principal advantages of a system of stores coding will be self-evident. Simplicity of identification, ease of reference between stores items and stores catalogue, sorting of documents and ledger balances is greatly facilitated, and there are certain administrative economies to be obtained in saving of staff time in preparing requisitions for stores and stores accounting procedures and routines.

The rules to be followed in constructing a code for any purpose are relatively few and simple. Brevity and simplicity are keynotes in the code structure, each item of stores being grouped according to a predetermined range, with provision for gaps in the code to allow for expansion.

Stores records – bin cards (if kept) and stores ledgers – are frequently grouped in stores number order and under their appropriate group classification.

The introduction of a stores code naturally suggests the need for a comprehensive stores list or catalogue. A catalogue is a valuable addition to the user departments because it assists in the identification, precise description, and simplifies stores requisitioning.

Careful consideration is required in devising the catalogue – particularly in regard to the method of presenting the narrative descriptions. It is not possible within the space available to discuss this question at length, but it may be interesting to note that one method which has found favour is the alphabetical arrangement under generic headings – for example:

Tools – joiners;
Screwdrivers – ratchet 3".

Simplification of Records

In whatever sphere the accountant is involved, the simplification of records presents a very important aspect of his duties.

This problem presents itself prominently in the design and use of stores records. There is one particular question which is pertinent to this subject: Are bin cards really necessary? Opinion is very much divided upon the topic and it is not proposed to make out a case for either system, but rather to consider a few of the broad implications involved.

Without going into the detailed pros and cons of the use of bin cards, a close look at the advantages and disadvantages of this record may be useful.

Bin cards are invariably kept in close proximity to the goods in stock and maintained by the storekeeper. This allows the storekeeper to keep a close control over stocks on hand, at the same time providing a convenient reminder when stocks require replenishment. A further argument advanced in favour of bin cards is that they give a sense of responsibility to the storekeeper. These are sound arguments in favour, but what of the disadvantages?

If a stores ledger is maintained in the stores office, one must accept the fact that a certain amount of duplication of recording and effort is involved. In certain circumstances this of itself may not be a bad thing, but at least there is this point to consider. If, in fact, additional clerical labour entailed in posting bin cards, plus the cost of the stationery, is worth the expense involved, there is no doubt some justification for the continuance of the dual stock record/bin card arrangements. Generally speaking, however, the cost of maintaining these records is high and unless good reasons can be advanced for their utility they should be eliminated.

A more advanced development in the rationalization of records is carried out by some of the larger organizations, and in many instances stores ledgers and bin cards have been entirely eliminated. This is a drastic step, far removed from the long-standing and more orthodox methods of stores accounting; under circumstances such as these it is clearly not a case of complete abandonment of financial control, but rather a substitute of more up-to-date and efficient methods and techniques. For example, it is far better to devise simple internal checks and continuous audit routines which stand a chance of revealing waste, pilferage and other losses, than faithfully to adhere to accepted practices which take a good deal of time to execute (e.g. reconciliation of bin card and ledgers) and are largely unproductive processes. In association with a sound system of internal check, machine systems can take a good deal of the drudgery out of the work by producing accurate and prompt information upon all aspects of stores accounting.

Conclusion

This review does not pretend to solve all the problems raised, but rather to act as an introduction to constructive thought upon the topic

of stores administration. To appreciate that these problems are very much a reality, one has only to refer to the private investigation into these and similar matters conducted not long ago by a team of officials reporting upon the administration within B.O.A.C. Their findings included the following: stocks held could be reduced by £750,000 which would mean a saving of £45,000 per annum in interest charges; and savings of the order of £500,000 could be attained if component stocks were reduced; more efficient use of hangar space could bring about a saving of £90,000 in rent due

to three hangars becoming redundant.

At the conclusion of the team's report the following statement epitomizes the problem:

'We are firmly of the opinion that if effective action were taken to correct the defects in organization and procedure, costs would be reduced very considerably.'

With these last sentences in mind readers may reflect and perhaps see similar problems and difficulties within their own organizations. If this is so, a lesson may well be drawn from the experience of others.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

UNITED STATES

Auditing Contractors' Accounts

WORK in progress is almost always a difficult asset to evaluate and, because of this, the preparation of the financial accounts of contractors calls for special care. A study, *Auditing in the Construction Industry*, just issued by The American Institute of Certified Public Accountants, considers the same problem from the auditor's viewpoint. It suggests that, as a first step, he should review his client's internal control system and accounting procedures to detect—any failure to determine contract profitability on a realistic basis at the balance sheet date; insufficient control over estimating for new contracts; inadequate contract cost records particularly of job site payrolls and other disbursements; weakness in billing methods; and faulty control of construction equipment and any lack of cost records of its use.

After this general preliminary measure, the auditor should then scrutinize all major contracts which the client has on hand and summarize them for his files. This information should specify particulars, where applicable, of—the type of contract; the price; escalation features; terms of payment; cancellation arrangements; estimates of cost and profit; status as to re-negotiation; any unusual provisions; bonding and insurance requirements; and equipment rental provisions. The salient points of any sub-contracts should be similarly noted.

The main part of the booklet deals with auditing difficulties in the following six areas—costs of contracts in progress; contracts where part of the accounting records are kept at the job site; inventories of raw materials and supplies; the billing of accounts receivable; the ascertainment of amounts due to sub-contractors; and the special case of a joint venture where the client shares a contract with another firm. Although the advice given is contained in only ten pages, it is highly concentrated and merits close

study as a guide not to the usual but to the unusual features of this type of audit.

SOUTH AFRICA

A Share Voucher Scheme

IN an endeavour to provide an alternative to building societies, for small savers' deposits, Mr A. J. Fergusson, President of the Johannesburg Stock Exchange, recently announced the introduction of a share voucher scheme. Stressing that 'share ownership among small investors was a matter of paramount importance to the future economic well-being of South Africa', he went on to point out that the scheme was intended to provide a means by which the person with a few pounds a month to spare could participate in the growth and development of the country. The vouchers, in denominations of £5, £10, £15, £20 and £50, can be purchased from the Stock Exchange itself and are exchangeable for their face value through any member broker for shares of the investor's choice.

This new scheme is all part of the campaign, started over a year ago, to stimulate public interest in the activities of the Johannesburg Stock Exchange, to encourage genuine investment and to discourage speculation. It is obviously modelled on a similar scheme operating with great success in the United States of America, but claims to be more flexible in that purchasers of the vouchers are not forced to make regular monthly contributions, as they are in America. In South Africa the means by which the man in the street could participate in shares have in the past been very limited.

As if to give added publicity and to express confidence in South African stocks and shares, the South African Mutual Life Assurance Society—the 'Old Mutual' to the general public—has announced the investment of over £1 million in the shares of the Consolidated Gold Fields of South Africa. In September 1958, the South African Mutual formed a

subsidiary, called the South African Mutual Finance Corporation, with a capital of £5 million to acquire ordinary shares in local companies to which they would 'be able to delegate directors'. Recently Mr T. A. Murray, a director of the South African Mutual, was appointed to the board of Gold Fields of South Africa, and now South African Mutual Finance is to subscribe for 250,000 ordinary shares of Gold Fields at 89s 3d per share (current market price 97s) representing a 2.7 per cent interest in the finance house.

Foreign Exchange Reserves and Dollar Loans

DURING November 1st, the Union's exchange reserves, represented by the South African Reserve Bank's holding of gold and foreign assets, reached £151.8 million, the highest in eight years. The Government decided to take the opportunity of repaying the \$26 million credit which they had obtained from the International Monetary Fund in March 1958 when the foreign reserves of the country were on their way down to the low point of £72.6 million in May of that year. The improvement in the position can be attributed to (1) a decline in imports arising from the deflationary measures introduced by the Government; (2) the increased gold output; (3) a larger inflow of capital and (4) improvements in export earnings.

The opportunity has also been taken to renew the revolving credit granted to the Union by a consortium of American commercial banks through Dillon Reed & Co. The new agreement for \$40 million runs for two years from January 23rd, 1960 (when the existing \$20 million credit expires), at a rate of 5 per cent plus $\frac{3}{8}$ per cent commitment fee - only $\frac{1}{8}$ per cent over the rate for the old loan.

The new credit will be used to facilitate settlement of dollar transactions by the South African Reserve Bank and to help finance the Government's loan programme. The eleven banking institutions participating in the new arrangement are the Chase-Manhattan Bank; First National City Bank of New York; Bank of America; National Trust and Savings Association; Bankers Trust Co; Chemical Bank of New York Trust Co; Hanover Bank; Manufacturers Trust Co; Morgan Guaranty Trust Co of New York; Irving Trust Co; Continental Illinois National Bank and Trust Co of Chicago; and First National Bank of Chicago.

Synthetic Diamonds

MR HARRY OPPENHEIMER, the chairman of De Beers Consolidated Mines, announced recently that synthetic diamonds had been successfully produced at the company's Adamant Laboratories in Johannesburg. Apparently, research commenced in 1955 soon after the General Electric Co of America had produced their first synthetic industrial diamond and, by September 1958, the South African team of scientists had made their first product. In November 1953, secret applications for

patents were lodged in many countries and, in September 1959, the continuous production of synthetic diamonds was established.

The type of diamond now produced is comparable with crushed boart and, therefore, suitable for abrasive use. Mr Oppenheimer said: 'The Adamant Laboratory has not been able to manufacture other types of industrial diamonds and there is no question of the manufacture of gem diamonds.' The largest producer of crushed boart is Société Minière du Beceka of the Belgian Congo, but since this company is a partner with De Beers in the diamond Central Selling Organization, commercial production of the synthetic product will presumably be carried out only after consultation between them.

GERMANY

Cost and Market Prices

THE managerial function of finding a way between the cost and the market price of a product is the subject of an article in *Der Wirtschaftstreuhand* of December 15th, 1959.

The greater the competition, the less reliable is cost as a basis for fixing selling prices, states the author. Market price is the resultant of the operations of a large number of firms with differing cost structures. No matter how carefully businesses calculate their costs, the advantage will always lie with the one which can produce and market most economically. True, erroneous cost calculations can have an effect on market prices, but so can 'dumping', where cost is virtually disregarded.

Nevertheless, cost is the only known quantity when price is to be calculated. Market prices cannot be calculated; they can only be observed and tested. Observation and testing are not only concerned with the product manufactured; they are also aimed at ascertaining whether other products can be marketed more profitably. But only seldom is it possible to change over from one product to another in order to prevent something from being sold under cost. In other cases, the loss must be compensated from the sale of other, more profitable, products until the business has reduced its costs by reorganization and rationalization.

A more dangerous solution, says the author, is sometimes adopted - the uncompetitive article is costed at favourable overhead rates. This is self-deception and the business which does so is taking a loss without giving itself a chance to recover it. Cost must always be calculated without reference to market price. Even the inclusion of 'reserves' in the calculation of cost is unwise.

It is for the cost accountant to calculate cost, and the business manager to ascertain market price; and it is for the latter to decide when, and to what extent, an article shall be sold below cost. The cost accountant can help, however, by recording the over- and under-recoveries systematically, and by presenting the facts to the manager in regular reports.

Surtax and Companies

by J. R. MEAD, J.P., F.C.A.

THE choice of title, as set out above, is not intended to convey that this paper will cover in all its aspects the implications and application of Sections 245 to 264 of the Income Tax Act, 1952. The intention is to endeavour to deal with some features of the practical application of this legislation at the present time, when the surtax direction of company profits has probably assumed more significance than at any previous time in the history of the legislation.

The first provisions giving the Special Commissioners power to direct that the profits of a company could be charged to surtax were contained in the Finance Act, 1922. As is well known, the legislation provides that in the event of a direction being upheld, the whole of the profits are directed to surtax and there is no statutory machinery for the direction of a part only of the profits. This strange and impractical situation still prevails and reference will be made later to the process of negotiation which has become the recognized but extra-statutory method of dealing with the majority of cases.

In 1921-22, the standard rate of income tax was 6s in the £, while the rates of supertax ranged from 1s 6d up to 6s in the £, the highest rate being applicable to income over £30,000 per annum. During the period from 1922-23 to 1938-39, the rate of income tax varied between the lowest level of 4s in the £ and the highest level of 5s 6d in the £, which was reached in 1938-39. The top level of supertax or surtax remained at 6s in the £ until 1928-29, after which it became 7s 6d in the £. It can thus be seen that the advantage, in terms of supertax or surtax, which was to be gained by withholding distribution of profits out of companies was less than the corresponding advantage to be gained in the post-war years. Perhaps, therefore, it is not surprising that comparatively little was heard of this legislation in the period between the two world wars. Directions to surtax were few and far between and many average provincial accountants

were never called upon to deal with them. The principle of applying for clearances was not generally adopted except in special circumstances (e.g. at the time of a flotation or take-over). Where the process of direction was instituted, the Special Commissioners seem to have been fairly lenient in their practice of withdrawing in the face of evidence submitted.

The Second World War brought with it the increase in the standard rate of income tax to 10s in the £; the advent of profits tax; and an increase in the top rate of surtax to 9s 6d in the £. During the actual war period little or nothing was heard of surtax directions. The ploughing back of profits for war production was necessary for companies engaged thereon, while in the case of other companies, the normal level of earning power was disturbed. Moreover, it is probable that administratively the tax authorities were able to give the subject of surtax direction only scant consideration.

In the period after the war, right down to the present time, an interesting and controversial situation arose. The policy of successive Governments has been



Mr J. A. Mead

to export companies to adopt a programme of voluntary dividend limitation, and a certain party threatened to impose a programme of compulsory dividend limitation. The Government reinforced its exhortations by levying a distribution charge of profits tax on dividends. There is no need to set out the rates thereof because they are well known to all accountants, but it will be remembered that they were heavy, and for the period April 1st, 1956, to March 31st, 1958, the rate of profits tax charged on distributions was 30 per cent as compared with the 3 per cent charge on the profits not distributed, giving a 27 per cent distribution charge. Under these circumstances, companies found themselves in a dilemma in that high dividend distributions were contrary to Government policy and small distributions or lack of distributions might lead them into trouble under Section 245.

The Surtax 'Umbrellas'

The statements of Sir Stafford Cripps and Mr Harold Macmillan on this subject are well known,

¹ A paper given at a one-day conference of the Birmingham and District Society of Chartered Accountants on December 17th, 1959.

but a brief reference thereto will help to give a background to the situation which now prevails. It was in July 1948 when Sir Stafford Cripps made his statement, the brief effect of which was to allow companies immunity from surtax direction so long as they maintained a dividend policy which had been adopted before June 1947 and this arrangement applied even where no dividend had been declared in the periods before June 1947. Sir Stafford Cripps qualified his statement by saying that he must emphasize that he was dealing only with bona fide cases and his statement would not apply where there were avoidance devices such as the withdrawal of money from the company in the guise of capital.

It was in April 1956 that Mr Harold Macmillan made a further statement on the subject, when he explained that companies formed after May 31st, 1947, or companies formed before that date but whose first accounting period ended after that date, were not within the statement of Sir Stafford Cripps. Mr Macmillan went on to say that in practice, the spirit of the Cripps statement was observed in dealing with such companies. The brief effect of the Macmillan statement was that new companies would be allowed to establish a dividend policy during a period of opening years, depending on the circumstances, and that once that rate of dividend had been established it need not be exceeded.

In the period from 1947 to 1958, the Cripps and Macmillan 'umbrellas' did much to reduce the application of the Sections 245-264 legislation to a minimum and it was not until August 1st, 1957, that Mr Peter Thorneycroft made a statement to the effect that the practices announced by his predecessors would be discontinued and that henceforth the legislation would be applied in the normal way. It is particularly interesting to note that with effect from April 1st, 1958, the profits tax distribution charge on dividends was discontinued and a flat 10 per cent rate of profits tax was instituted on all profits (subject to the exemption limit and abatement relief) whether distributed or not.

The qualification to the Cripps statement which mentioned 'avoidance devices, such as the withdrawal of money from the company in the guise of capital' carried with it certain repercussions in the ensuing years which were of considerable significance. It cannot be denied that the 'umbrella' raised by the Cripps statement afforded protection in circumstances which Sir Stafford Cripps may not have envisaged at the time when his statement was made. In the period from 1947 to 1958 some industries prospered greatly and many private companies earned substantial profits which were accumulated in the form of cash and investments within their structure. So long as they enjoyed the protection of the 'umbrellas', no action was taken against them and it must be said that the tax authorities abided honourably by the utterance of Sir Stafford Cripps, although it did not carry statutory significance.

On the other hand, the Special Commissioners were eager to ascertain whether any transaction had been entered into by these companies or their shareholders which could be regarded as an avoidance device. The experience thus gained by accountants in ascertaining what types of transaction were held by the Commissioners to be devices which took a company outside the protection of the 'umbrellas', is extremely useful. In the case of private companies which wish to preserve their immunity from surtax direction, such transactions should continue to be avoided because they are likely to focus the attention of the Commissioners on the affairs of the companies and may well prejudice negotiations where directions are instituted or where clearance is sought.

Transactions to be Avoided

Sir Stafford Cripps spoke of 'avoidance devices, such as the withdrawal of money from the company in the guise of capital'. The withdrawal of money by the shareholders in a fashion which did not attract surtax was not an essential of the type of transaction which attracted the attention of the Commissioners. The following list, although not comprehensive, gives typical instances of the types of transaction which hardened the hearts of the Commissioners in the process of negotiation and will continue to do so now that the Cripps statement has ceased to be of effect.

- (a) The repayment of any share or loan capital issued or incurred towards the initial payment for the business. Section 246, subsection (2), specifically states that income so applied shall be regarded as income available for distribution.
- (b) The creation of redeemable shares in itself attracts the attention of the Commissioners, and the redemption of such shares is an obvious withdrawal of money from the company in the guise of capital.
- (c) Loans to directors or shareholders are suspect and the Commissioners go so far as to inquire into the state of current accounts with directors or shareholders which should not therefore be allowed to stand in debit. A loan, however small, and even though outstanding for a very short period, was regarded as technically removing the company from the protection of the 'umbrella', and to counter this, strong evidence was required that the loan remained factually repayable on demand.
- (d) The purchase of property from directors or shareholders is suspect and in no case should such a purchase be made at higher than a fair current market price or in circumstances where the transaction is not of some direct benefit to the company's business.
- (e) The acquisition of property for the personal occupation of a director is suspect.
- (f) The declaration of a tax-free capital dividend out of profits realized on the sale of assets points to the fact that the funds realized are

not required in the business of the company. Such a transaction may prejudice negotiations.

- (g) The investment of surplus funds in stock exchange securities and subsequent dealing therein may well emphasize that such funds are not required for the purpose of the company's business. This type of investment has been very tempting in the recent past, but, from the point of view of surtax danger, a company would be better advised to put its money on investment at short call, e.g. in Tax Reserve Certificates, on bank deposit account or in building societies, or possibly in short-term Government stocks, corporation loans, or Treasury bills.

Remuneration of Directors

Many private companies, the share capital of which is owned by a few individuals who are employed by the company, distribute their profits by way of high directors' remuneration instead of dividend. Technically, directors' remuneration is not a distribution of profit. The Commissioners have regard to the level of profit remaining after the directors' remuneration has been paid. The payment of directors' remuneration to a level which represents a high proportion of the profits before charging such remuneration does not therefore present a valid argument, although in practice the Commissioners will have some regard to this form of distribution without admitting that it is a distribution within the meaning of the legislation.

How Does the Legislation Work in Practice?

The process of surtax direction can be commenced through one of two circumstances arising.

In the first case, the Special Commissioners may, through an examination of the company's file, decide that the company is one which appears to them to be a company to which Section 245 applies. The Special Commissioners will then call upon the company by notice in writing (under Section 250, Income Tax Act, 1952) to furnish them with a statement of the actual income of the company for the accounting year attacked, together with a copy of the company's accounts, and such other particulars as they may reasonably require as to the income of the company and the manner in which it has been dealt with. The Commissioners also require a statement of the names and addresses and particulars of the respective interests of all the members of the company. The company is obliged to furnish this information and after it has been received by the Commissioners, they may decide to serve the formal direction upon the company. In practice, the accountants or other advisers of the company will probably seek to open negotiations with the Special Commissioners when furnishing these particulars so that the whole complicated legal process embodied in the legislation may be cut short. This gives represen-

tatives of the company the opportunity to determine by direct negotiation with the Special Commissioners whether the company must make a distribution which will attract surtax liability, or make an additional distribution where some dividend has already been paid which is apparently insufficient in the eyes of the Commissioners. Alternatively, the company may submit to paying the surtax which results from an agreed partial apportionment of profits to surtax, without making any actual distribution to shareholders. The Commissioners do appear, however, to favour the actual payment of a dividend or additional dividend.

The second case arises where a company seeks surtax clearance within the terms of Section 252. When seeking clearance, it is usual to provide the Commissioners voluntarily with the accounts for the years for which clearance is sought, together with details of the shareholders and shareholdings, and such other information as may assist subsequent negotiations. More often than not, the Commissioners will either grant clearance or formally request the particulars in accordance with their rights under Section 250. Such formal request often involves the preparation of the computations of the statutory income of the company adopting strict taxation principles, and this can prove to be a waste of time because the opening up of negotiations with the Commissioners is almost bound to follow before any actual direction within the terms of Section 245 is made upon the company.

The general practice which has grown up has therefore tended to avoid the making of the formal direction under Section 245 to be followed by statutory declarations made by the directors under Section 251 and formal appeals against directions when appropriate.

It is fortunate that this process of direct negotiations with the Special Commissioners has been so widely adopted because an immense amount of formal procedure has thus been avoided and it has become possible for decisions to be reached comparatively quickly.

It is rather curious to observe that a process of negotiation has been widely established in order to by-pass a section of the Income Tax Acts which is not capable of being applied in a practical manner strictly according to its edict. Section 245 provides that the *whole* of the profits must be directed if any direction is made at all. It is quite obvious that in the case of the majority of trading companies, such a direction could easily have the effect of bringing the company's activities to a standstill, because of the drain which would be imposed upon its liquid resources by total direction.

In the report of the Royal Commission on the Taxation of Profits and Income, a proposal was made that the legislation should be altered with a view to providing for partial direction. There is a substantial school of thought which holds this view now that the 'umbrellas' have gone.

Direct Negotiations with the Special Commissioners

Many accountants have by now had experience of direct negotiations with the Special Commissioners at Thames Ditton. It often proves unnecessary to submit much detailed information to the Commissioners in writing. Considerable progress can usually be made by way of interview where the company's representatives have every opportunity to discuss future prospects and capital requirements whether for purchase of capital assets or for additional working capital. The existence of substantial bank balances throughout the accounting year or the investment of surplus resources will obviously be grounds for argument in favour of the Special Commissioners. The existence of a bank overdraft is not necessarily an overriding protection, particularly where such overdrafts arise only periodically. A very high ratio of current assets (stock and debtors) in relation to liabilities will sometimes give the Commissioners necessary grounds for requiring distributions.

The problem has to be discussed from two aspects, (a) the level of profit earned for the year under review after taking into consideration the income tax and profits tax liabilities payable thereon, and (b) the company's capital position and liquidity.

The point which often causes some difficulty in the minds of accountants is the treatment of the future taxation provision when the company's liquidity is under review. There does not seem to be any hard and fast treatment of this problem, but it is usually sound for the accountant to argue that the payment of the future taxation liability should be assured out of assets in hand at the balance sheet date without impairing the resources available for the company's trading activities in the future.

A clear explanation of the company's capital commitments and future trading requirements is an essential part of the arguments on behalf of the company.

The actual basis of settlement in the form of extra dividend distribution varies with every case and is reached after a searching examination of the individual circumstances. It is significant that the Commissioners have 'raised their sights' since the profits tax distribution charge has been removed.

Obtaining Clearance Under Section 252

At the time of a take-over involving the sale of the whole or a major part of the share capital of a company, it is invariably the practice of the legal representatives of the purchasing party to require an indemnity against surtax liability on undistributed profits which can be levied upon the company or, alternatively, surtax clearance covering the six years up to the accounting date prior to the date of sale. The same requirement arises at the occasion of a public offer or placing of shares of the company. The task of applying for clearance for these six years usually falls upon the accountants who have acted for the company up to the date of take-over or

flotation. Assuming that the company has escaped the notice of the Special Commissioners up to that time, it is quite possible that the Special Commissioners may raise a number of queries arising from various transactions which may have taken place in the six years under review. It can thus be seen that there is much to be said for obtaining surtax clearance every year so that a company's position is certain and its distribution policy approved by the Special Commissioners at all times.

Some firms of accountants recommend this practice of obtaining annual clearances and seek their client's authority to apply for clearance every year. Other firms of accountants do not press the idea of obtaining annual clearances but they leave the whole matter in abeyance until some circumstances arise which demand that the clearance should be obtained.

Companies Liable to Direction

It is not proposed to deal in detail with intricacies relating to the subject of companies liable to direction: suffice to say that Section 256 provides that the legislation may be applied in the case of '... any company which is under the control of not more than five persons and which is not a subsidiary company or a company in which the public are substantially interested'. It is well known that when the test is applied as to whether five persons are in control, the question of 'composite persons' has to be considered because a husband, wife, ancestor, lineal descendant, brother or sister are treated as one person.

For a company to be outside the surtax net, the public must own shares in the company carrying not less than 25 per cent of the voting power, and the question as to who precisely constitutes 'the public' has been the subject of some discussion and case law in the past. In general, however, the public are people who are outside the collection of persons who had five-person control in the private company days, to whom shares have been allotted unconditionally, or who have purchased shares unconditionally.

There is one rather special point which needs comment. In Section 256 (5), reference is made to the 25 per cent holding being carried by the public, *not including a company to which the said Section 245 applies*. It is often the case in connection with flotations that the 'family' desires to part with as few shares as possible. Clearly they must part with shares carrying not less than 25 per cent of the voting rights – the stock exchanges prefer not less than 30 per cent. If the number of shares with which they part is only very slightly in excess of the 25 per cent qualification, a careful watch should be kept upon the share register to ensure that there are not material holdings in the hands of private companies which may themselves be the companies to which Section 245 applies. The registration of such a holding might be beyond the control of the directors of the company which seeks to keep out of the surtax net and such a private company shareholding could technically put the main company back into the surtax net.

Weekly Notes

State Building Society

SIR RICHARD YEABSLEY, C.B.E., F.C.A., is one of four new directors co-opted to the board of the State Building Society at the suggestion of the Chief Registrar of Friendly Societies. The others are Lord Reith, who is expected to become chairman, Sir Dingwall Bateson and Mr A. G. Ridley.

The appointments follow a recent request from the board to the Chief Registrar asking if he could find suitable persons who would be willing to join the board so that its sitting members might resign. Mr Noel Cow, the former chairman, Mr W. Goodfellow, Mr P. F. Collins, Mr A. Wyatt and Mr H. H. Murray resigned last Tuesday. The sole survivor of the original board is Mr E. H. Page.

In view of these events it is no longer the intention of the Registrar to call a special meeting of the State Building Society under the powers conferred on him by Section 5 (5) of the Building Societies Act, 1894. An annual general meeting of the Society is due to be held in March.

The report is awaited of Mr W. H. Lawson, C.B.E., B.A., F.C.A., who was appointed by the Chief Registrar last November to investigate the affairs of the Society.

Bank Chairmen's Cautious Optimism

SIR ERIC CARPENTER, chairman of Williams Deacon's Bank Ltd, like Mr Tuke of Barclays, has paid tribute to the analytical excellence of the Radcliffe report. He is, however, critical of certain of the committee's recommendations. He agrees with the Chancellor of the Exchequer's decision not to have Bank rate announcements made in the name of the Treasury but to continue having them made in the name of the Bank of England. He also finds the committee's recommendations that the present conventions by which the clearing banks maintain certain ratios of deposits in cash or at the Bank of England and certain conventional levels for all liquid assets should be made explicit, rather contrary to banking traditions in this country. Sir Eric gives a certain amount of space in his annual review to the question of aid for under-developed areas. He is in favour of extending continuing aid to under-developed areas, but would like to see a continuation of the present trend - which has been developed by the World Bank - for political considerations to recede into the background and for the various projects to which aid is to be made available, being assessed almost entirely on their technical and economic considerations. So far as this country is concerned, he is cautiously optimistic about the effects of the cotton reorganization scheme in Lancashire and rather less

reserved in his optimism about the future of the economy as a whole.

Lord Aldenham, chairman of the Westminster Bank, is also well disposed to the report of the Radcliffe Committee as a whole. He makes it quite clear that his support of their view that sources of credit are invisible and should be handled accordingly, stems in part from the growing interest of the banks in hire-purchase. He also is interested in the activities of the World Bank and points out in his review that no less than a third of all its lending has been to Commonwealth countries, India having been the largest single borrower. So far as the economic situation as a whole is concerned, Lord Aldenham thinks the prospect is encouraging but he introduces a note of caution in the last sentence of his review by reminding his readers that when the barometers are 'set fair' it is time to 'watch our step'.

Sir Thomas Barlow, chairman of the District Bank, has also tempered optimism with caution in his annual review. He does not think that we should allow ourselves to be so preoccupied with the rising output of motor-cars and other consumer goods that we forget the situation in the coal, ship-building and aircraft industries. The District Bank has always been close to cotton textiles and he also comments on the future of the cotton industry in the light of the Government's reorganization scheme. He is somewhat concerned about the current level of demand for yarn and cloth which has been taken so high as to merit a word of warning. For the long-term, he is somewhat reassured by the tendency of the public to switch from purchases of consumer durable goods to textiles.

Monckton on Radcliffe

THE Midland Bank has always held its fire at the time of the chairmen's annual reviews till fairly late in the season and has usually tried to be distinctive. This year has been no exception.

Lord Monckton has, on this occasion, dealt at some length with the Radcliffe Committee's report and his views are somewhat more sympathetic to the committee's recommendations than those of the other chairmen who have spoken so far on the subject. He points out that the committee has tried to put in formal terms (especially on the question of replacing money supply by the 'whole liquidity position' as the guide to monetary policy) certain ideas which have been gaining currency over the last twenty years without their being precisely stated. He emphasizes the important part played in recent economic techniques of analysis in making the Radcliffe Committee's ideas possible. Lord Monckton, having dealt with the history of the supply of money controversy over the last 150 years, and having drawn attention to the practice in the United States and Canada goes on to say: 'My intention in citing the methods practised there is to illustrate the importance, in practical, as well as theoretical terms, of the concept of liquidity enshrined in the Radcliffe report'.

Company Law Committee

THE committee under the chairmanship of Lord Jenkins appointed towards the end of last year to inquire into company law has been quick to enter upon its arduous task. The topics on which this week it has invited evidence, and which we reproduce on another page, cover a very wide range of subjects. They include the question of the continuance of the prohibition of partnerships having more than twenty members, donations by companies for charitable or political purposes, the qualifications and appointment of auditors, and their duties and responsibilities. The invitation indicates that the committee will make a searching inquiry into the provisions relating to accounts, whether on the one hand all is disclosed which should be, and on the other, whether some of the requirements are necessary and useful in present-day conditions. One topic of particular interest is the revaluation of fixed assets and the use of any resulting surplus. The committee asks that submissions be made to it within three months of January 15th.

Bakers' Restrictive Practices

LAST month the Restrictive Practices Court delivered a reserved judgment that certain recommendations outlined by the Federation of Wholesale and Multiple Bakers on the maximum retail prices of standard bread were contrary to the public interest. The Federation also recommended fixed retailers' margins.

The judgment of the Court in this case was confined to matters arising in England and Wales. The points to be decided arose on different facts in relation to a different system and had been differently argued from those *in re* the Scottish Association of Master Bakers' Agreement (1959). The Court did not accept that there was any point of law in the contention that the Federation's views were contained in recommendations and not in the clauses of an agreement. Furthermore, the costing system used by the Federation was in essence a continuation of the one used during the period of Government control for devising subsidies for bread producers. The industry had made a serious attempt to evolve a mandatory formula for peacetime, following the Government's encouragement for it to do so but the basis of costing was open to criticism. The so-called sampling method used in arriving at standard costs was not statistically sound. The fixing of a maximum price instead of a minimum one was relevant to the Federation's case only if the maximum was not fixed so low as to be in effect a minimum. In the Court's view, the Federation's maximum price in practice operated as a fixed one.

The method used for fixing prices showed profits which were too favourable to justify the claim that the consumer was protected. Also the anticipated long-term decline in the demand for standard bread provided sound economic reasons for accepting

prices to favour the consumer in the absence of a price agreement. The Court was not satisfied that there was a risk that abolition of the recommendations would make bread prices rise. The Court added that there was no implied criticisms of the conduct or intentions of the Federation which had not been lacking in moderation or in civic responsibility.

Restrictive Practices and Carpets

In a further judgment the Restrictive Practices Court found that the agreements between the Federation of British Carpet Manufacturers, its members and wholesalers were contrary to public policy. This made the sixth decision out of seven adverse to the agreements before the Court. The only one to be sustained so far has been the agreement among water-tube boiler makers.

It had been established that there was price fixing in standard qualities of carpet and that other prices tended to follow the standard rates. The judge said that the standard difference laid down was the most useful single standard that could be devised and was entitled to recognition as such. In his view the listing of wholesalers who had to accept manufacturers' prices as minimum prices and were allowed fixed discounts was the most objectional feature of the scheme. In the Court's view it prevented new and enterprising wholesalers from being able to purchase an adequate range of carpets.

Following the findings of the Court an undertaking was given by the Federation of British Carpet Manufacturers that it would not give effect to nor enforce restrictions in its members' agreements.

F.B.I. on Reduced Prices

THE Federation of British Industries has given a considered reply to the Chancellor of the Exchequer's request to industry to cut prices. A copy of its exceedingly circumspect document has gone out to its members.

The F.B.I. draws attention to four points. The first is that each section of the economy directly influencing the system has a contribution to make towards stability of prices. The Federation thinks that 'some long-term thinking is clearly necessary on the principles which should be applied to the process of sharing' the fruits of higher productivity. Second, manufactured goods account for a part only of the index of retail prices. Third, manufacturers' costs are not wholly within their control. Fourth, there must be a margin between costs and selling prices to provide resources for future expansion.

Competition is likely to become more intense, anyway, in the F.B.I.'s view—especially as the Free Trade Association comes into operation. Taking all these things into account, the F.B.I. believes that its members will wish 'to do everything in their power to maintain a generally stable level of prices'. No one could expect the F.B.I. to say or do much more.

Pressure from Import Prices?

AS the current boom spreads from consumer goods to capital goods there is bound to be an increase in the import bill. During the recent mild recession stocks were run down by most industries and there was only a mild advance in the level of manufacturing stocks in the closing months of 1959. Buying on a significant scale cannot be long delayed, however, for all sections of industry in order to replenish their pipelines.

For the second month in succession there was an increase in import prices during November. The advance was a modest one, only $1\frac{1}{2}$ per cent, and it was matched by a similar increase in export prices. There has therefore been no change in the terms of trade. On the other hand, an increased percentage in import prices affects the import bill in absolute terms rather more than a corresponding increase in export,

since imports exceed exports on a volume basis.

So far the main source of pressure on import prices has come from food but there has also been a modest advance in the prices of basic materials and manufactured goods including fuel. The real pressure on prices from the side of imports will come, however, if and when a number of basic commodities such as steel have to be imported on a significant scale. In the recent past the United Kingdom steel industry has been more than able to meet any demands made upon it but it has been a feature of all years of boom conditions since the war that the onset of the later stages of the boom, which has always in the past been accompanied by increased inflation, has been heralded by a significant rise in steel imports. It is switches of this kind which may cause a marked jump in import prices in, say, six to twelve months time.

This is My Life . . .

by An Industrious Accountant

CHAPTER 8

IT was one of those days when everything goes wrong. I should have recognized the omens early on and stayed in bed on the pretext of influenza.

I arrived brisk and early, with a full time-table arranged, including an important meeting with some London V.I.P.s. First shock - I'd forgotten the keys of my ultra-modern steel desk. Fire-proof and burglar-proof was the makers' claim, and unfortunately for me it was fool-proof also.

Tried the office manager and my secretary for key-rings, without success. Each asked me where I kept my duplicate. Tried all the likely clerks, without success. Each posed the same question.

The maintenance engineer, a cheerful young Scot, looked us over and claimed he had 'nae deeficulty in opening yon new-fangled sardine-tin'. He, too, wondered loudly where we kept our duplicate keys, and maddened the accounts section by demanding all duplicates to be handed to him for safe keeping in future. Finally, with two fitters, a layout of screw-drivers reminiscent of Raffles and much tuneless whistling, he succeeded in disembowelling the desk.

It was rather a pity that an envelope marked clearly in red 'Duplicate keys' lay on top of the first drawer opened. Especially as the chairman had stopped by to watch the operation.

* * * * *

Later, a to-do with the deputy chairman. He's a plump tweedy type, and normally pleasant, but conscious of his superiority over all the lesser breeds without the law.

I had dressed up for our board meeting: black

coat, striped pants, pearl-grey tie, everything except spats, and my wife had tucked a red carnation into place as well. 'For good luck,' she said, which was tempting fate. The result was just a bit much, no doubt, and the deputy chairman rubbed it in.

He arrived in sports coat with lots of vents, tight drill trousers and polo sweater (off to some aristocratic point-to-point later on), and he pointedly looked me over. 'Wish I could afford to come to work dressed like that,' he remarked to the chairman in lordly fashion, and I replied unthinkingly, 'Well, I certainly can't afford to come dressed like that.'

As Boswell wrote, when he dropped his famous clanger on first meeting Dr Johnson, he meant it as a light pleasantry to soothe and conciliate; he and I were equally wrong. The deputy chairman looked suddenly furious, then turned his back rudely and looked through me thereafter.

(Basic rule for accountants, which should be inscribed in gold letters over the desk of every article clerk: Never, but never, be flippant with the deputy chairman.)

* * * * *

It was the last straw when I queried our newest ledger-clerk about some outstanding accounts which the auditors had mentioned adversely, and found that in a spasm of guilt and zeal he had circularized our biggest customers with a demand for prompt settlement. Unfortunately, he used our stock letter D/BS5. We keep it for suspected welshers and it ends '. . . and must therefore regretfully instruct our solicitors to institute immediate proceedings'.

Tomorrow's post will be red-hot. Should I telephone hasty apologies and rely on our customers' sense of humour, or take a chance and hope they don't reply direct to the chairman?

And so return home, answering my better half's routine inquiry with 'Oh fine, fine, everything went fine, dear,' and feeling just like the 'Laugh, clown, laugh' character.

Finance and Commerce

Brewery Properties

MR EDWARD THOMPSON, M.B.E., T.D., chairman of Ind Coope Ltd, whose accounts form this week's reprint, remarks in his statement with the accounts on how a bid for the ordinary capital of a famous London brewery company last May touched off a good deal of speculation, some ill-informed, about brewery companies' hidden reserves.

'On the basis that property values in general had increased some six times over those prevailing at the turn of the century, it was asked,' he says, 'why something of this kind had not occurred in licensed property.'

'The answer', Mr Thompson goes on, 'lies in the fact that the great majority of such properties have no alternative trading use: their profit-earning capacity has declined with falling consumption and has not adjusted itself with the changing value of money.'

'This last circumstance', Mr Thompson maintains, 'has come about by reason of excise duty claiming an increasing share of the total price paid by the public, leaving the industry with little opportunity to increase prices in order to maintain its own level of profit without, in so doing, decreasing its competitiveness and forcing consumption still lower. Only in a limited number of cases could a brewer make a more profitable use of licensed premises by disposing of them for other purposes.'

Revaluation Snags

Mr Thompson, however, gives his comments on the desirability of a general revaluation of the company's assets. While there has been no revaluation of the properties which have come into the group during the last twelve years, some 13 per cent had been revalued by independent professional valuers before the company took them over.

The company, he continues, has on its books many properties at figures below their present value, but recent experience has shown that some of those revalued did not realize their revaluation figure because their businesses had fallen since the years immediately after the war and because demand is dwindling for the smaller public houses doing only a modest trade. It has always been the board's view that as values fluctuate with the changes in trade, a total revaluation of properties could mislead shareholders and incur very considerable expense to no useful purpose.

Compensation for Employees

An interesting case history on compensation for employees comes out of the integration of Taylor Walker with the Ind Coope group. Ind Coope decided to close the Taylor Walker brewery when it was found uneconomic to rebuild and re-equip it on its present site. Ind Coope therefore held a series of meetings with the Transport

Reports of Public Companies

THE ACCOUNTANT ANNUAL AWARDS, 1960

CLOSING DATE FOR ENTRIES

The Accountant Annual Awards for 1960 will be made in respect of reports and accounts laid before companies in general meeting within the year ended December 31st, 1959. One of the Awards will be for the report and accounts of a large company; the other will be made to a 'smaller' company requiring less complex accounts than those of a large group.

Companies are invited to send copies of their reports and accounts (with an chairman's statement circulated to shareholders) for consideration by the Panel of Judges, to: The Secretary, The Accountant Annual Awards, 4 Drapers' Gardens, London, EC2.

The closing date for the receipt of entries for the 1960 Awards is February 1st, 1960.

The Awards are made to companies whose shares are quoted on a recognized stock exchange in the

United Kingdom, in relation to the form and contents of their reports and accounts - particular importance being attached to the adequacy of the information given and its presentation.

Winning Companies in Previous Years

The 1959 Awards were presented by Sir Harold Gillett, Bt., M.C., F.C.A., Lord Mayor of London, 1958-59, to The British Oxygen Co Ltd and to General Refractories Ltd.

Previous winning companies were: 1954 - Thos. W. Ward Ltd. 1955 - Ford Motor Co Ltd; Unilever Ltd. 1956 - Associated Electrical Industries Ltd; Folland Aircraft Ltd. 1957 - The United Steel Companies Ltd; Trawlers Grimsby Ltd. 1958 - Peninsular & Oriental Steam Navigation Co; John Dale Ltd.

and General Workers Union and associated unions out of which have come redundancy terms for Taylor Walker employees, principally those at the Limehouse brewery in the East End of London, which provide for extended notice, resettlement allowances, lump-sum payments and pensions including widows' pensions.

The redundancy scheme is in four parts. First, there is formal notice of redundancy varying with length of service up to fifteen weeks' notice after fifteen years' service, the company having accepted the principle of giving as much warning as possible. Second, a resettlement allowance subject to one year's service is payable to those who cannot find work immediately. The allowance will be paid for up to eighteen weeks, depending on age and service. Third, an *ex gratia* payment is to be paid subject to one year's service. Fourth, a pension goes to certain operatives, subject to a minimum of fifteen years' service. Those who have reached 60 get a pension at once and those eligible below 60 get it from the age of 65. Owing to the difficulty of older workers getting new jobs carrying pension rights, one who has become redundant at 50 or over has his pension calculated not by reference to actual years of service but to years of service which would have been put in had the employee continued in the brewery's employ until 65. The pension carries a widow's pension payable on her husband's death irrespective of age.

It is understood that the resettlement allowance and *ex gratia* payments are not taxable and will not prejudice the payment of National Insurance Unemployment benefit.

Persons who accept employment in the Ind Coope group have special arrangements applying to them. Two booklets have been issued by Ind Coope setting out the redundancy arrangements, one for the staff and the other for the work-people.

Voting Rights

ONE more company, Allied Bakeries Ltd, is removing the voting distinction between the two parts of its equity capital. Mr Garfield Weston, the chairman, says the directors have come to the conclusion that the company should fall into step with public opinion and not wait for some form of statutory compulsion. No one can say, of course, whether such compulsion will ever be imposed, but public opinion is undoubtedly hardening against the non-voting equity especially since the Carreras take-over has shown how control can be so easily acquired through a comparatively small part of the capital carrying the voting right.

Thus Allied Bakeries 'A' and 'B' shares are to be merged into one body of voting equity capital.

A most interesting point in this move is Mr Weston's statement that there will be no compensation for the 'A' ordinary holders since 'it is our considered opinion that no case for compensation really arises.'

In other cases of enfranchisement of non-voting

IND COOPE LIMITED AND SUBSIDIARY COMPANIES				APPROPRIATION OF PROFIT			
Year ended 29th August, 1959							
PARENT COMPANY		GROUP		1959		1958	
1958	1959	1958	1959	£	£	£	£
£	£	£	£				
1,237,016	1,443,731	Profit attributable to Ind Coope Ltd. after Taxation	1,639,576	1,873,700	1,639,576		
474,351	486,364	Balance brought forward from previous year	1,034,985	1,034,985	969,856		
1,711,367	1,930,095		2,909,485	2,909,485	2,609,432		
		Transfers to Reserves—					
		Subsidiary Companies—					
		Revenue Reserves	309,181	309,181	349,444		
		Capital Reserves	10,494	10,494	—		
		Parent Company—					
		General Revenue Reserve	300,000	300,000	220,000		
		Public House and Estate Improvements Reserve	—	—	28,712		
			619,675	619,675	598,156		
			2,289,810	2,289,810	2,011,276		
		Dividends (less Income Tax) for the year—					
		Preference Stocks	112,101	112,101	108,561		
		Ordinary Stock:					
		Interim Dividend	264,088	264,088	247,923		
		Proposed Final Dividend	759,264	759,264	619,807		
			1,135,453	1,135,453	976,291		
		Balance Carried Forward	£494,642	£1,153,557	£1,034,985		
			£486,364	£1,135,453	£1,034,985		

CONSOLIDATED PROFIT AND LOSS ACCOUNT

IND COOPE LIMITED AND SUBSIDIARY COMPANIES				APPROPRIATION OF PROFIT			
Year ended 29th August, 1959							
PARENT COMPANY		GROUP		1959		1958	
1958	1959	1958	1959	£	£	£	£
£	£	£	£				
1,237,016	1,443,731	Profit attributable to Ind Coope Ltd. after Taxation	1,639,576	1,873,700	1,639,576		
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1,711,367	1,930,095		2,909,485	2,909,485	2,609,432		
		Transfers to Reserves—					
		Subsidiary Companies—					
		Revenue Reserves	309,181	309,181	349,444		
		Capital Reserves	10,494	10,494	—		
		Parent Company—					
		General Revenue Reserve	300,000	300,000	220,000		
		Public House and Estate Improvements Reserve	—	—	28,712		
			619,675	619,675	598,156		
			2,289,810	2,289,810	2,011,276		
		Dividends (less Income Tax) for the year—					
		Preference Stocks	112,101	112,101	108,561		
		Ordinary Stock:					
		Interim Dividend	264,088	264,088	247,923		
		Proposed Final Dividend	759,264	759,264	619,807		
			1,135,453	1,135,453	976,291		
		Balance Carried Forward	£494,642	£1,153,557	£1,034,985		
			£486,364	£1,135,453	£1,034,985		

IND COOPE LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET 29th AUGUST, 1959

	1959	1958	1959	1958	1958	1958
Capital and Reserves—Ind Coope Ltd.						
6 1/2 per cent. Cumulative Preference Stock	2,574,636	2,574,636			2,670,054	
5 1/2 per cent. Cumulative Preference Stock	390,000	390,000			2,501,611	
	2,964,636	2,964,636			1,356,432	6,528,097
Ordinary Stock	13,210,194	10,779,256			24,001,377	
Capital Reserves (Note 7)	10,904,918	5,790,718			774,477	
Revenue Reserves (Note 7)	6,168,689	5,944,827			1,229,490	
Unappropriated Profits	1,153,557	1,034,985			32,533,441	
Capital and Reserves attributable to Ordinary Shareholders	31,437,358	23,549,786			48,455,598	
					3,082,386	2,273,403
Outside Interests In Subsidiary Companies						
Preference Shareholders	2,733,426	917,754			3,198,936	1,679,017
Ordinary Shareholders (including reserves and profit and loss balances attributable thereto)	525,128	25,820			54,736,920	36,485,861
	3,258,554	943,574				
Amounts Set Aside for						
Special Repairs (Note 5)	155,346	159,750			5,101,279	
Market Development (Note 6)	196,070	129,708			3,096,113	
	351,416	289,458			—	
Tax Equalisation Account (Note 8)	659,572	204,077			704,546	
					197,758	
					922,943	
					10,022,639	
Future Taxation						
Estimated Income Tax Liability 1960/61	1,281,577	1,035,106				
Loan Capital (Note 4)						
Debenture Stocks	15,723,382	8,957,726			3,148,899	
Unsecured Loan Stock	929,470	—			717,681	
Loans—secured	1,932,211	1,734,133			95,114	
Loan—unsecured	140,000	170,000			2,078,503	
					—	
					619,807	
					6,660,004	
	18,745,063	10,861,859				
					3,961,256	3,362,635

GROUP	£
Debtore Stocks—Parent Company	10,854,847
Subsidiary Companies	4,866,535
Unsecured Loan Stock—Parent Company	15,723,382
Loans—Secured—Parent Company	927,476
Subsidiary Companies	980,084
Loan—Unsecured—Subsidiary Company	1,932,211
	160,000
	£18,745,063

5. Amount set aside for Special Repairs	1959	1958	1959	1958
Balance brought forward	104,478	109,278	159,750	168,630
Expenditure (less tax) during the year	2,765	4,800	4,404	8,880
Balance 29th August, 1959	£101,713	£104,478	£155,346	£159,750

6. Amount set aside for Market Development	1959	1958
Balance brought forward	£163,196	£184,463
Transfer from General Revenue Reserve	79,558	89,311
Expenditure during the year	83,638	95,152
Less Tax relief	£196,070	£129,708
Balance 29th August, 1959	£196,070	£129,708

7. Increases and Decreases in Reserves	1959	1958
Capital		
Balances, 30th August, 1958	1,548,188	2,325,914
Premium on Shares Issued	5,348,063	5,790,718
Discount and expenses on issue of Debentures	—	5,348,063
Cost of Capital reorganisation	—	100,783
Excess of Nominal Value of Debenture Stock issued	—	—
Clear Debenture Stock of Parent and Subsidiary Companies cancelled	134,346	—
Expenses...	58,292	58,397
Transfer from Revenue Reserves	1,355,550	7,484,194
Appropriation from Profit and Loss Account	£1,355,550	£7,484,194
	£10,904,918	£10,904,918

Revenue	1959	1958
Balances, 30th August, 1958	3,318,281	200,000
Profit on realisation of Sundry Assets and on redemption of Debentures	95,243	232,189
Taxation provisions no longer required	78,000	202,718
Goodwill of shops written off	3,491,524	6,379,734
Amounts written off less Tax relief thereon:		
Improvements to properties	27,052	49,039
Past service element of pension scheme contributions	25,875	31,928
Research Expenditure	3,339	3,339
Loss arising on reduction of Beer Duty	—	135,871
Transfers:		
Tax Equalisation Account (Note 8)	376,467	388,312
Amount set aside for Market Development (Note 6)	130,000	150,000
Transfer to Capital Reserves	2,908,691	5,612,748
Transfer to Stocks Reserve	112,091	53,240
Appropriation from Profit and Loss Account	—	—
	£3,096,600	£6,168,689

* After deducting proportion attributable to minority Shareholders in Subsidiary Companies.

NOTES ON THE ACCOUNTS

1. Taylor Walker Group

In view of the fact that steps have been taken under Section 209, Companies Act 1948, to acquire the shares of Taylor, Walker & Co. Limited (not already held by Ind Coope Ltd., at the Balance Sheet date, the accounts have been prepared as if the purchase of those shares had been completed by that date.

2. Group Balance from Trading

This includes the profits of the Taylor Walker Group for eight months ended 29th August, 1959. The loss arising from reduction in beer duty, £265,110, has been charged (less tax) to Revenue Reserves (Note 7) and certain advertising and other development costs amounting to £163,196 (1958—£184,463) have been charged (less tax) to the Amount Set Aside for Market Development (Note 6).

3. Fixed Assets

PARENT COMPANY	Gross Values	Depreciation and Amounts written off	Balance Sheet 29th August, 1959	Balance Sheet 30th August, 1958
* Freehold Breweries, Maltings, Bottling Stores, etc.	2,115,934	55,830	2,060,104	1,854,736
Plant and Machinery	4,433,277	2,049,408	2,383,872	1,943,711
Casks, Motor Vehicles, etc.	2,197,575	870,699	1,326,876	1,197,582
	8,748,786	2,996,334	5,752,452	5,000,029
Licensed and Unlicensed Properties:				
Freehold	9,784,832	21,847	9,762,985	10,262,701
Leasehold	697,195	87,184	610,011	572,687
	10,482,027	109,031	10,372,996	10,835,388
Furniture, Fittings and Equipment	1,717,299	692,943	1,024,356	831,222
	£20,948,112	£3,798,308	£17,149,804	£16,666,639

GROUP

Breweries, Maltings, Bottling Stores, etc.	5,034,974	145,087	4,889,887	2,670,054
Plant and Machinery	5,861,685	2,913,085	2,948,600	2,501,611
Casks, Motor Vehicles, etc.	3,082,095	1,382,899	1,699,196	1,356,432
	13,978,754	4,461,071	9,517,683	6,528,097
Licensed and Unlicensed Properties:				
Freehold	36,134,182	677,683	35,456,499	24,001,377
Leasehold	2,278,237	546,161	1,732,076	774,477
	38,412,419	1,223,844	37,188,575	24,775,854
Furniture, Fittings and Equipment	2,895,594	1,146,254	1,749,340	1,229,490
	£55,286,767	£6,831,169	£48,455,598	£32,533,441

No depreciation is provided in the case of Freehold Properties.

The gross values are those shown in the Accounts of the Individual Companies and represent cost, valuations or 1947 net book values.

4. Loan Capital

Debtore Stocks redeemable at par (Secured by a floating charge on the Undertaking of the Company)

Rate	Redeemable	Date of Issue	Amount Issued	Redeemed and Cancelled	1959
3½%	1987/97	6th November, 1958	1,748,973	25,755	1,723,218
4½%	1979/84	6th November, 1958	3,079,840	52,762	3,027,078
5½%	1979/84	6th November, 1958	3,548,250	57,156	3,491,094
5½%	1979/84	4th December, 1958	2,000,000	—	2,000,000
6%	1979/84	6th November, 1958	615,457	—	615,457
					10,854,847
Unsecured Loan Stock—					927,470
5½% Stock, issued 6th November, 1958					980,084
Loans—Secured by Mortgage on certain Assets of the Company					£12,766,401

equity, compensation has been given - by issue of shares, for instance - largely on the ground that the vote holders are losing a privileged position which has had a capital value in the share market. But the Allied Bakeries board present the case as between shareholder and company and not one section of shareholders against another.

Discount for Shareholders

ANOTHER instance of discount being granted to shareholders on business done with their company is the tear-out card in the report and accounts of J. Hepworth & Son Ltd, the tailors, which entitles the holder - it is made out to 'bearer' - to a 10 per cent discount valid for six months. Ten per cent discount is not unknown in multiple tailoring at certain times of the year for existing customers who are thus encouraged to keep business going. Here, however, is a shareholder-relations approach.

A point in these accounts is a stock reduction from £1,593,372 to £1,403,774 in a year that has

produced another trading record with 'excess of trading income over expenditure' of £490,787 against £340,096.

Mr R. E. Chadwick, the chairman, refers to one of the objectives in the year's administration, as redressing the cash balance. Owing to the acquisition of many new branches and the general requirements of an expanding business plus the need to make repayments against the 4½ per cent unsecured loan stock, further cash drain was anticipated. The position has been rectified by two measures: the company issued £350,000 5½ per cent First Mortgage Debenture Stock 1979-84; and 'with the expert advice of our industrial consultants, we have evolved a more sensitive method of stock control which has released some of the cash which would otherwise be locked away as stock'.

Next Week's Reprint

The accounts of S. & W. Berisford Ltd will be the subject of the reprint in next week's issue.

CITY NOTES

THE stock-markets have again come under selling pressure turning largely on persistent emphasis of the view that the equity market has been discounting the future to an ever-generous degree. Banking chairmen have belaboured the point and it has been taken up by stockbrokers themselves in their New Year letters to clients.

The usual flood of New Year statistics and forecasts has left the market unmoved. The Board of Trade's estimate that fixed capital spending by private industry should rise by 16 per cent this year, for example, has already been discounted in market terms by the announcements made in recent months by the motor and steel companies. Similarly, the record retail sales figures for the past year have long since been discounted in the share-market.

Basically the market is in a position of having to mark time until events catch up with its forecasts. But the market never does mark time. It either advances or retreats - and the present retreat might well lead to a consolidation of the 1959 advance at a point where *The Financial Times* equity index is nearer 300 than its New Year peak of over 340.

Meanwhile in the fixed interest section of the market, the question of interest rates is still uppermost. But here again the market has discounted the possibility of a higher Bank rate to a considerable degree, though the actuality of a higher rate would come as a relief rather than a shock.

For all the profit-taking in equities there seems no real inclination to reinvest in Government stocks, despite the good yields offered. Money taken out of equities is being placed on deposit and held ready for re-employment when equity prices appear to have reached the end of what is generally accepted as being a temporary reaction.

RATES AND PRICES

Closing prices, Wednesday, January 20th, 1960

Tax Reserve Certificates: interest rates (Nov. 1958) 2½%

Bank Rate			
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills			
Nov. 13	£3 7s 9.55d%	Dec. 18	£3 12s 10.50d%
Nov. 20	£3 7s 11.96d%	Dec. 24	£3 13s 8.82d%
Nov. 27	£3 7s 11.95d%	Jan. 1	£3 14s 6.24d%
Dec. 4	£3 10s 7.23d%	Jan. 8	£3 14s 11.06d%
Dec. 11	£3 11s 6.91d%	Jan. 15	£3 15s 7.79d%

Money Rates			
Day to day	2-3½%	Bank Bills	
7 days	3-3½%	2 months	3½-3½%
Fine Trade Bills		3 months	3½-3½%
3 months	4½-5½%	4 months	3½-3½%
4 months	4½-5½%	6 months	3½-3½%
6 months	4½-5½%		

Foreign Exchanges			
New York	2.79 1/8-7/8	Frankfurt	11.66 1/2-67 1/2
Montreal	2.66 1/8-1/4	Milan	1738-1/2
Amsterdam	10.56 1/8-1/4	Oslo	20.01 1/8-1/4
Brussels	139.60 1/8-1/4	Paris	13.73 1/8-1/4
Copenhagen	19.34 1/8-1/4	Zürich	12.10 1/8-1/4

Gilt-edged			
Consols 2½%	48 1/2xd	Funding 4% 60-90	92 1/2
Consols 4%	71 1/8xd	Savings 2½% 64-67	84 1/8
War Loan 3½%	63 1/8	Savings 3% 55-65	91 1/8xd
Conversion 3½%	64	Savings 3% 60-70	82 1/8
Conversion 3½% 1969	88 7/8	Savings 3% 65-75	75xd
Exchequer 5½% 1966	104 1/8	Treasury 2½%	47 1/8
Funding 3% 66-68	84 1/2xd	Treasury 3½% 77-80	78 1/8
Funding 3% 59-69	84 1/8	Treasury 3½% 79-81	76 1/8
Funding 3½% 99-04	70 1/8	Victory 4%	96 1/8

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Legal Aid

SIR, - In your issue of January 9th, in your editorial headed 'A little more legal aid', I read, *inter alia*, that 'it will be possible under the provisions of the Bill for a man earning £1,300 or £1,400 a year to be eligible for some measure of aid . . . the suggestion has been made that the new figures may conceivably result in a solicitor providing legal aid for persons no worse off than himself'.

And why not? I think that the point to bear in mind is that many men in the salary bracket referred to, owing to factors such as the cost of educating and maintaining children, and fares to and from work, are in no position, on £1,300 or £1,400 a year today, to risk expensive litigation. If it should happen that a solicitor also finds himself in this position, he too may take advantage of the provisions of the Bill when it becomes an Act.

The point I wish to make is that many men today, faced with commitments incurred several years ago, find that £1,300-£1,400 a year is little better than a basic salary, and that their margin for 'extras' on this salary is no better than that of many manual workers earning a much lower rate of pay. For a man in this income bracket, I do not consider that children and a home, or something 'in the bank' against a possible law suit, are fair alternatives, and I welcome the extension envisaged by the new Bill.

Yours sincerely,

CHARTERED.

Differential Costs

SIR, - I seek the hospitality of your columns to make one remark only (a long one) on your review of my book *Differential Costs and Management Decisions* (January 9th issue). First, I must thank you for its very generous tone - if I can infect only a few with my distrust of orthodox costing, the labour will have been well worth while.

The remark is on your reviewer's observation that

'A case can be made for full costs in jobbing industries and static ones, if these must inevitably remain static.'

They mustn't; even a power station can vary its output - and if it does then statistically, by formal regression analysis, a very good straight line fit is obtained which is equivalent to the fixed and variable approach. I saw the results of one such set of calculations,

and the superintendent told me that the statistical estimate of the fixed part was very close to his theoretical calculations of the cost of heat losses which occurred at all levels of output. Lyle's rather technical book (*Regression Analysis of Production Costs and Factory Operations* (Oliver & Boyd), is more refined, but comes to very much the same conclusion.

As far as jobbing industries are concerned, I must admit that I said on page 7 with so much courage as to rank as foolhardiness, that

'the problem of how to treat the overheads in relation to what the traffic can bear is much simpler to see in the round'.

Now that I have had some time in a 'one-off' business I know the short answer to this pronouncement: it is not. In fact, it is quite a lot worse, as what overhead rate do you use (and why) in estimating for a contract which will start next year and go on for two more? One answer in which there is more than a bushel of truth is that we estimate for a loss on each job but make a profit out of all of them.

This seems to me to be a lunatic procedure, and if they perpetuate it, accountants can hardly be surprised that they are not summoned into the inner councils to 'make their contribution to the team effort' (quotation from almost anyone writing on management accounting).

Differential costing is harder to work in jobbing shops, but as I do not like being thought a lunatic, I shall have to apply it. I can write the book, but am stuck for a title: 'One-off accountancy'? 'Helping the jobbing shop manager'? Perhaps your correspondents can help me.

Yours sincerely,

London, SW1.

D. R. C. HALFORD, O.B.E.

Salaries (and Fees) in the Profession

SIR, - Under 'Box X52175, Smiths' Library, Hove,' someone, presumably a chartered accountant, is advertising 'thirty well-established audits' for sale from which the gross annual fees are 400 guineas - an average of thirteen guineas each. Would somebody please inform me how, in the name of fortune, can any practising accountant hope to increase his fees and succeed and retain his staff and pay good salaries, and, furthermore, stop the efflux of the good clerks out of the profession while the values of qualified accountancy services are so debased.

I would suggest that what the profession generally wants is a 'get together' in an endeavour, not to fix minima or maxima fees but to concert a general average level for varied classes of work and, if possible, to publicize the results; this in spite of what I consider is the official attitude.

Yours faithfully,

F.C.A.

Redemption of Redeemable Preference Shares

SIR, - In response to Mr Towsey's article on the above subject published in *The Accountant* of January 9th, I would refer him to my letter published in your issue of May 11th, 1957, and the spate of correspondence which followed.

I agree with Mr Towsey, that in relation to Section 58 of the Companies Act, 1948, 'proceeds' must surely include premium money and a company having the appropriate capital structure can bring about a reduction in share capital outside Section 66, Companies Act, 1948.

Yours faithfully,

Bromley, Kent.

EDWARD W. OWEN.

SIR, - With due respect to the stand taken in the article under the above title by Mr P. A. Towsey, B.COM., A.S.A.A., A.A.C.C.A., A.C.I.S., appearing in the January 9th issue of *The Accountant*, the present writer is inclined to disagree with the views mentioned therein in connection with the application of share premium account on redemption of redeemable preference shares.

Mr Towsey is of the opinion that when redeemable preference shares are redeemed out of the proceeds of the fresh issue of shares, the premium on shares, if any, received on this fresh issue may be applied in redeeming the nominal value of the redeemable preference shares. According to him the words 'out of the proceeds of fresh issue of shares' in Section 58 (1) (a) and (d) of the Companies Act, 1948, include not only the nominal value of the new issue but the premium, if any, as well.

Section 56 (2) of the Companies Act, 1948, specifically lays down the purposes to which the share premium account could be put to use. Among other things it says that the share premium account may be applied in providing for the premium payable on redemption of any redeemable preference shares of any debentures of the company. These words are crystal clear and one cannot see any reason to include the nominal value of the redeemable preference shares. To do so would amount to the reduction of share capital.

Further, Section 455 (1) defines 'share' in unambiguous terms. 'Share' means share in the share capital of a company and includes stock except where a distinction between stock and shares is expressed or implied. From this it will be seen that this definition of share does not include premium on shares. Section 56 of the Act has even the premium on shares a distinct entity. Hence the words 'out of the proceeds of fresh issue of shares' could only mean the proceeds of the nominal value of the shares.

Without prejudice to the above contentions, let us assume that the words 'out of the proceeds of the fresh issue of shares' include the proceeds of the premium on shares. In such a case, the full proceeds could be applied towards the redemption of redeemable preference shares. But in no case could the

existing share premium account be applied towards the redemption of redeemable preference shares as it would be in contravention of Section 56 of the Act. To support Mr Towsey's stand would be to lay down an artificial distinction between the 'premium on the fresh issue of shares for the redemption of redeemable preference shares' and the existing 'share premium account'. This distinction is absurd and far-fetched. Thus the whole assumption falls to the ground.

Yours faithfully,

DARA R. MISTRY,

B.A., B.COM., LL.B.

London, W1.

Partnership: Division of Profit

SIR, - In response to a letter from 'Manklever' on the above subject published in *The Accountant* of November 21st, 1959, I would like to submit my views as under:

The first method of dividing the profits explained in his letter is quite correct, whereas the alternative contention is based on wrong reasoning. It is true that A. has a surplus capital of £8,000, which implies that his capital exceeds that which he ought to have maintained for a half-share in the firm's profits. And so it is on this excess of £8,000 that A. should get interest when B. and C. get no interest at all.

But this interest is to be paid by the firm and not by B. and C. Charging this interest to B. and C. will be as wrong as charging a partner with any other business expense. And so the division of profit from this alternative point of view will be as follows:

	A.	B.	C.
	£	£	£
Interest on surplus capital	400	—	—
Share of net profit (after charging the above interest)	3,800	1,900	1,900
	<u>£4,200</u>	<u>£1,900</u>	<u>£1,900</u>

Even if one wants to recover the interest on the capital invested by some partners over and above that required on the basis of their profit-sharing ratio from the rest of the partners, we should follow the correct logic. In the example adopted by 'Manklever' the correct reasoning will be to think A. as allowing the use of his £8,000 to the firm on which he is entitled to get half of the profit and is responsible for bearing half of the losses or expenses. It is, therefore, only £4,000 (i.e. half of £8,000) which he has put on behalf of B. and C.; and for which he can claim interest from them. Thus the division of profit will be as shown below:

	A.	B.	C.
	£	£	£
Share of profit	4,000	2,000	2,000
Interest on surplus capital (directly treated) ..	+ 200	— 100	— 100
	<u>£4,200</u>	<u>£1,900</u>	<u>£1,900</u>

And so, in whatever way we may argue, no doubt with proper reasoning, the first method of dividing the profit given in the letter under reference proves to be perfectly correct.

Yours faithfully,

H. S. KULSHRESTHA, M.COM.

Benares, India.

Treatment of Loss on Sale of Shares

SIR, - We have a client, a property investment company, which in order to acquire a property is having to purchase 20,000 £1 shares in a company at a price of £100,000. It is proposed to transfer the

property to the parent company and sell the newly-acquired subsidiary as a 'shell'. The property stood in the subsidiary's books at £40,000, and will be revalued in the parent company's books to a figure of £100,000. All the above transactions will occur within one financial year of the parent company.

Would readers say that it is permissible to set the loss on the sale of the shares in the subsidiary company against the capital reserve created on revaluation of the property (these two sums will be equal), and hence show in the accounts of the parent company only that it acquired a property at a cost of £100,000?

Yours faithfully,

EQUITABLY.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.

The Public Trustee (Lord Northcliffe's Trustee) v. C.I.R.

In the House of Lords - December 14th, 1959
(Before Viscount SIMONDS, Lord RADCLIFFE, Lord COHEN, and Lord KEITH OF AVONHOLM)

Estate duty - Gifts of parts of income of residue for life - Gift to executor - Whether gift to holder of an office - Whether liability excluded on that ground - Finance Act, 1894, Sections 1, 2 (1) (b).

The testator died in 1922, and devised and bequeathed the residue of his estate upon trust to pay the net income therefrom in the shares and manner directed. One of the directions was that three one-hundredth parts of the income was to be paid to one of the executor-trustees. On the failure of each of the trusts of parts of income those parts were in each instance to be added to the trusts of the parts of income still payable; and the residuary capital was to go to charities. The will conferred wide discretionary powers on the trustees, and stated that the testator had the fullest confidence in them. One of the two executors died in 1947. The other executor-trustee died in 1955, and immediately before his death he was receiving the income from three forty-nine and a half shares of the residuary capital.

The Inland Revenue claimed that estate duty was payable on three forty-nine and a half shares of capital on the footing that those shares of capital passed on the death of that executor-trustee, and

that duty was payable pursuant to Section 1 of the Finance Act, 1894. The appellant contended that the deceased executor-trustee's interest in his shares of the residuary income was 'only an interest as holder of an office', within Section 2 (1) (b) of the Finance Act, 1894; and that therefore the claim to duty under Section 1 of the Act was excluded.

Held: (1) Sections 1 and 2 of the Finance Act, 1894, were not mutually exclusive; (2) the appellant's contention was correct.

Coats' Trustees (Parker) v. Lord Advocate

In the House of Lords - December 15th, 1959
(Before Viscount SIMONDS, Lord RADCLIFFE, Lord COHEN, Lord KEITH OF AVONHOLM, and Lord JENKINS)

Estate duty - Trust for payment of income equally among three children during the truster's lifetime - Afterwards trust fund divisible among children absolutely - Truster survived by all three children - Whether children had interest before truster's death - Whether interest arose or accrued by survivorship - Finance Act, 1894, Sections 1, 2 (1) (d) - Finance Act, 1934, Section 28.

In 1938 the truster settled shares on her three children so that during her lifetime the whole net income of the trust fund was payable to her three children equally. If a child died leaving issue, the latter took equally *per stirpes*; and if a child died without leaving issue, his share of income accrued to the surviving children. On the death of the truster the fund was to be divided equally among the children, and there were the same provisions relating to a child dying and leaving issue and a child dying without leaving issue. The truster died in 1956.

The Inland Revenue claimed estate duty, under Section 2 (1) (d) of the Finance Act, 1894, on the footing that an interest had been provided by the deceased and that duty was payable to the extent

of the beneficial interest accruing or arising by the survivorship of the three children. It was contended on behalf of the appellants that after the trustor's death each child had a continuing right to one-third of the income just as he had before her death; and that therefore there was no beneficial interest accruing or arising on her death.

Held: the right of each child to income after the date of the trustor's death was a different right than that which he had before that event; and that estate duty was payable as claimed.

C.I.R. v. Hooch Barrs

In the Court of Session - December 10th, 1959
(Before THE LORD ORDINARY (Lord WALKER))

Income tax - Loss claim - Certificate from General Commissioners - No notice to Inland Revenue of hearing - Whether appeal competent - Whether certificate valid - Court of Exchequer (Scotland) Act, 1856, Section 17 - Customs and Inland Revenue Act, 1890, Section 23 - Income Tax Act 1918, Section 34 - Finance Act, 1923, Section 30 - Finance Act, 1937, Section 13 - Finance Act, 1952, Section 15.

At a meeting of the General Commissioners in November 1958, the respondent appealed against assessments under Case I of Schedule D for 1947-48 to 1950-51 in respect of his business as a timber merchant, and produced accounts showing a loss in each of the four accounting periods ended March 31st, 1951. The total loss was £4,221. The General Commissioners discharged the assessments. The respondent then orally applied for relief, under Section 34 of the Income Tax Act, 1918, in respect of the loss, but at the request of the parties the consideration of the claim was postponed. In February 1959, the General Commissioners held a meeting and issued certificates certifying losses totalling £34,384. The appellants were not represented at this meeting, and they did not receive any copy of any application for relief, nor a copy of any computation of the loss, other than a computation for 1947-48 which had been sent to them in January 1958. It was, however, neither alleged nor admitted that the respondent communicated with the General Commissioners or received a hearing from them after the meeting in November 1958.

The appellants appealed to the Court of Session to have the General Commissioners' certificate quashed and set aside. The appeal was under Section 17 of the Court of Exchequer (Scotland) Act, 1856, which authorizes an appeal where, at the date of the passing of that Act, a writ of habeas corpus or a writ of certiorari might have competently issued in the Court of Exchequer. The appellants contended that the certificates showed error in law, and that the General Commissioners acted contrary to natural justice. The respondent contended (1) that the appeal was misconceived in that at the date of the passing of the Court of Exchequer (Scotland) Act,

1856, a writ of certiorari could not have competently issued from the former Court of Exchequer, because relief for losses was first authorized in 1890; (2) that the act of the General Commissioners in giving the certificates was an executive act, as to which a writ of certiorari could not have competently issued; (3) that the error in law was not sufficient to warrant the quashing of the certificates.

Held: (1) the fact that relief for trade losses was authorized after the passing of the Act of 1856 was immaterial; (2) the giving of the certificates was a judicial act of the General Commissioners, as to which a writ of certiorari could competently issue; (3) error in law was a valid reason for quashing such certificates; but that as the certificates in the present case disclosed no error in law, and they were the only documents returned, they could not be quashed, even though certain directives used by the General Commissioners might contain error in law; (4) in giving the certificates the General Commissioners had in the circumstances acted contrary to natural justice; and that the certificates should be quashed and set aside on that ground.

C.I.R. v. Pattison, Coumides and Louca (The Rainbow Restaurant)

In the Court of Session - December 15th, 1959
(Before the LORD PRESIDENT (Lord CLYDE), Lord RUSSELL, and Lord SORN))

Income tax - Trade - Sale of restaurant business - Price in instalments - During currency of lease and renewal - Whether sums deductible - Income Tax Act, 1952, Section 137.

In 1953, the respondents took a five-years' lease, with an option for a further five years, of the premises in which a restaurant was carried on. On the same day there was an agreement between the vendor and the respondents for the sale and purchase of the business 'for a price to be paid by instalments calculated at £25 per week during the currency of a lease for five years with renewal thereof'. The agreement provided for certain prepayments of the instalments, so as to afford the seller some degree of security.

It was contended by the respondents that the transaction was not a permanent transfer of the business from the seller to them, but was merely a temporary transfer, for the duration of the lease, of the issue of the premises and certain rights in connection with the business; and the respondents claimed to be entitled to deduct the amounts of the instalments in computing the profits of the restaurant for tax purposes. The appellants contended that the instalments were capital items representing instalments of the price of the business. The General Commissioners decided in favour of the respondents.

Held: the transaction was a sale and purchase of the business; and the instalments were capital items.

Reviews

Estate Duty Saving, including the Incidence of Income Tax, Surtax and Stamp Duty

by J. BRIAN MORCOM, M.A.(OXON.), Barrister-at-Law.
(Butterworth & Co (Publishers) Ltd, London.
35s net.)

Books specializing on tax avoidance have become quite numerous of late. As might be imagined, this one concentrates on estate duty and deals with most of the conventional devices for reducing that burden. It is, of course, helpful to have a work which concentrates on this aspect, instead of merely having one which expounds the law in a more impartial manner, although such a book is still essential if one is to be sure of avoiding all the pitfalls.

Deviating into the realm of income tax, the author says in relation to the anti-avoidance provision concerning settlements on one's infant children that 'stated shortly' the income paid to the child shall 'except for the first £5' be regarded as the income of the settlor. This fallacy that the first £5 escapes dies hard despite the clear decision of the House of Lords to the contrary in *Thomas v. Marshall* (32 A.T.C. 128). On the preceding page the author cites the Court of Appeal decision in *Grey v. C.I.R.* (37 A.T.C. 136) as authority for the proposition that one can make an oral declaration of trust of an equitable interest; although that decision was to the precisely opposite effect.

Cases on the Law of Contract

Third edition by G. C. CHESHIRE, D.C.L., F.B.A., Barrister-at-Law, and C. H. S. FIFoot, M.A., F.B.A., Barrister-at-Law. (Butterworth & Co (Publishers) Ltd, London. 45s net, postage 1s 9d extra.)

The passing of the Law Reform (Enforcement of Contracts) Act, 1954, has enabled the editors to clear the decks and include contracts of more general interest than those which require a memorandum in writing. Eleven cases have gone out; thirteen have been added, including the highly interesting case of *Karsales (Harrow) Ltd v. Wallis*, where the defendant successfully appealed against an order requiring him to make hire-purchase payments on a 'car' which when delivered to him was minus a cylinder head and had two broken pistons.

To study these cases is an excellent way of acquiring a working knowledge of the law of contract. The book is so excellently produced as to be a joy to own, and it is not without entertainment value, even apart from that well-known favourite, *Carlill v. Carbolic Smokeball Co.*

The Hospitals Year Book, 1960

Editor: J. F. MILNE, M.C., B.SC.(ECON). (The Institute of Hospital Administrators, London. 59s 6d net; by post 61s 6d).

In preparing the present edition, the aim has again been to provide an authoritative and comprehensive work of reference for all aspects of the administration and management of hospital and allied services. The hospital directory sections provide full particulars of all hospital and hospital authorities in Great Britain, Northern Ireland and the Isle of Man. Other sections give particulars of Government departments, blood transfusion services, statutory bodies and organizations concerned with hospital and health services, local health authorities, executive councils, the National Health Service Whitley Councils, and hospital contributory and provident schemes. The substantial reference section for hospital administrators includes detailed indexes to statutory instruments and official circulars, legal notes, summaries of reports, and a short bibliography of hospital literature. As previously, the final section again comprises a comprehensive guide to hospital purchasing.

In the course of his annual review of the hospital service during the past year, the editor discusses the main features of the Mental Health Act, 1959. He also comments upon the continued inadequacy of hospital capital expenditure, the development of interest in work study in hospitals, and the new administrative and clerical grading and salary structure.

Oxford Economic Atlas of the World

Second edition. (Oxford University Press, London. 42s net.)

What is zirconium and which country is its largest producer? How many tons of potatoes does the world eat each year? What gives champagne its sparkle? Are podzolic soils more fertile than tundra? What is the horse population of the world? Which country produces the most silver? Who invented margarine? Where did the synthetic rubber industry originate? What is EURATOM and when was it set up?

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Although intended primarily for economists, geographers, students and business men, the atlas is an ideal browsing book for everyone interested in the physical world. The maps are excellent and the text matches them in the clarity of its layout.

RECENT PUBLICATIONS

FARM RENTS, A COMPARISON OF CURRENT AND PAST FARM RENTS IN ENGLAND AND WALES, by D. R. Denman, M.A., M.Sc., Ph.D., and V. F. Stewart, M.A. 208 pp. 9 × 5½. 27s 6d net. George Allen & Unwin Ltd, London.

PRINCIPLES OF COST ACCOUNTANCY, by C. I. Buyers, C.A., A.C.W.A., and G. A. Holmes, F.C.A. vii+566 pp. 6 × 9. 35s net. The Donnington Press, St Albans, and Cassell & Co Ltd, London.

REPORT ON FARMING, 1958-59. A study of production and profits in the Eastern Counties with an advisory supplement and efficiency standards, by P. G. James. 37 pp. 10 × 7½. Paper covers. 3s 6d, post free. Report No. 50 Farm Economics Branch, School of Agriculture, Cambridge University.

INCOME TAX PRINCIPLES, fourth edition, by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A. ix+181 pp. 9 × 5½. 12s 6d net. H.F.L. (Publishers) Ltd, London.

BRITAIN: An Official Handbook, 1960, prepared by The Central Office of Information. ix+584 pp. 9½ × 6. 25s net. H.M.S.O., London.

HANSON'S DEATH DUTIES, tenth edition, fourth cumulative supplement to August 1st, 1959, by Henry E. Smith, LL.B.(LOND.), assisted by P. H. Fletcher, LL.B.(LOND.). xii+157. 10 × 6½. Card covers. 21s post paid. Sweet & Maxwell Ltd, London.

ARITHMETIC AND ACCOUNTS, third edition, by Norman Rogers, M.COM., and Reginald W. Walls, B.SC., B.COM., A.C.A. viii+208 pp. 7½ × 5. Card covers. 8s. Sir Isaac Pitman & Sons Ltd.

COMPANY LAW COMMITTEE

MEMORANDA OF EVIDENCE INVITED

The Company Law Committee appointed by the President of the Board of Trade, under the chairmanship of Lord Jenkins, has issued an invitation to various individuals and organizations to submit evidence on matters within their terms of reference, and they have compiled a list of subjects, reproduced below, on which views would be welcomed.

The committee do not, of course, regard the list as exhaustive and they will be glad to receive evidence on any other matters which are within their terms of reference.

Suggested Subjects

The list of suggested subjects is as follows:

1. INCORPORATION OF COMPANIES - MEMORANDA OF ASSOCIATION
 - (a) Requirements as to minimum number of members, and other conditions of incorporation.
 - (b) Limitation of objects to those stated in the memorandum, obsolescence of *ultra vires* rule in view of universality of modern objects clauses; effect of that rule as between a company or its directors and third parties, and as between a company and its directors. The present method of altering objects.
 - (c) The company as a legal entity distinct from its members - 'one-man' companies.
 - (d) Shares of no par value. (Bearing in mind the Government's announced intention to implement the recommendations of the Committee on Shares of No Par Value. Cmd. 9112, 1954.)
2. PROHIBITION OF PARTNERSHIPS WITH MORE THAN TWENTY MEMBERS
(Section 434 of Companies Act, 1948.)
3. CLASSIFICATION OF COMPANIES
 - (a) Nature and merits of distinction between public and private companies; adequacy of restrictions imposed on the latter.
 - (b) Nature and merits of distinction between exempt and non-exempt private companies (Sections 127, 129 of Companies Act, 1948).
 - (c) Unlimited companies and companies limited by guarantee.

4. DONATIONS BY COMPANIES FOR CHARITABLE AND POLITICAL PURPOSES

5. EXERCISE OF POWERS OF COMPANIES BY DIRECTORS AND DEGREE OF CONTROL RETAINED BY SHAREHOLDERS

The following are suggested as some of the matters calling for consideration under this general heading:

- (a) Fundamental changes in company's activities.
- (b) Disposal of undertaking and assets.
- (c) Issue of shares.
- (d) Borrowing money and charging property.
- (e) Lending money otherwise than in the ordinary course of business.

6. DIRECTORS' DUTIES

- (a) Should their duties be stricter and more clearly defined, and if so, in what respects?
- (b) Are directors generally aware of the legal duties arising from their fiduciary position?
- (c) Directors' and officers' dealings in their own companies' shares.
- (d) Disclosure of directors' interests.
- (e) Should bodies corporate be allowed to be directors?

7. SHARES WITH RESTRICTED OR NO VOTING RIGHTS

8. THE PROTECTION OF MINORITIES

Adequacy of existing remedies. Winding up under the 'just and equitable' rule (Section 225 (2) of Companies Act, 1948); the remedy afforded by Section 210.

9. PROTECTION OF SPECIAL CLASSES OF SHARES

Modification of class rights (Section 72 of Companies Act, 1948); getting rid of preference shares by winding up or return of capital.

10. BOARD OF TRADE POWERS TO APPOINT INSPECTORS

11. DISCLOSURE OF OWNERSHIP AND CONTROL

- (a) Nominee shareholders and debenture-holders (including nominee holding companies).
- (b) Control through nominee directors.

12. SHARE TRANSFER AND REGISTRATION PROCEDURE
13. MULTIPLICITY OF DIRECTORSHIPS HELD BY ONE INDIVIDUAL
14. PRACTICE OF CARRYING ON BUSINESS THROUGH ASSOCIATED AND SUBSIDIARY COMPANIES
15. LOAN CAPITAL
 - (a) Debentures and debenture stock.
 - (b) Trust deeds – duties of trustees and receivers.
 - (c) Registration of charges.
16. TAKE-OVER BIDS
 - (a) Procedure.
 - (b) Securing disclosure of information on which shareholders can form an opinion.
 - (c) Functions of directors.
 - (d) Disclosure of identity of bidder.
 - (e) The financing of such transactions.
 - (f) Disclosure of directors' interests – compensation for loss of office (Sections 191–194 of Companies Act, 1948).
 - (g) Application of provisions regarding compulsory acquisition of shares of dissenting minority (Section 209 of Companies Act, 1948).
17. PROSPECTUSES – STATEMENTS IN LIEU OF PROSPECTUSES – OFFERS FOR SALE – ISSUES OF SHARES TO EXISTING SHAREHOLDERS
 - (a) Adequacy of protection afforded to investors by existing law.
 - (b) Usefulness and necessity of the existing provisions.
 - (c) Certificates of exemption (Section 39 of Companies Act, 1948).
18. CONTROL OVER BUSINESS OF DEALING IN SECURITIES
19. UNIT TRUSTS AND 'OPEN END MUTUAL FUNDS'
20. REDUCTION OF CAPITAL AND PURCHASE BY A COMPANY OF ITS OWN SHARES
21. ACCOUNTS

Do the accounts require the disclosure of sufficient information about the financial position of the company, including its subsidiaries and associated companies? Are all the existing provisions necessary and useful in present-day conditions?

In particular, evidence would be welcome on the following points:

 - (a) Revaluation of fixed assets and use of any resulting surplus.
 - (b) Share premium account.
 - (c) Use of pre-acquisition profits of subsidiaries.
 - (d) Description of reserves.
 - (e) Definition of profits.
 - (f) Exemption of banks, assurance, shipping com-

panies from some of the accounting provisions of the Companies Act, 1948.

22. AUDIT
 - (a) Qualifications and appointment of auditors.
 - (b) Duties and responsibilities of auditors.
 - (c) Exemption of exempt private companies from the provisions of Section 161 of the Companies Act, 1948.
23. PROVISIONS AS TO RETURNS
24. COMPANY AND BUSINESS NAMES

Effectiveness of present provisions (see Sections 17 to 19 of Companies Act, 1948, and the Registration of Business Names Act, 1916); similarity of names; misleading names.
25. FOREIGN COMPANIES
26. INTERNAL MANAGEMENT AND ADMINISTRATION

In particular:

 - (a) Annual and other general meetings.
 - (b) Mode of passing extraordinary and special resolutions.
 - (c) Securing proper disclosure of information in circulars seeking proxy votes.
 - (d) Exercise of voting rights in cases of interlocking shareholdings, unit trusts, and in other special cases, e.g. by trustees of pension and welfare funds for employees in relation to shares held by such funds in the employer or any associated company.
27. WINDING UP
28. PROBLEMS OF ADMINISTRATION AND ENFORCEMENT OF THE LAW

In particular, are any difficulties caused by provisions which appear obsolete or inappropriate in modern conditions?

Terms of Reference

The committee's terms of reference are:

'To review and report upon the provisions and working of the Companies Act, 1948, the Prevention of Fraud (Investments) Act, 1958, except in so far as it relates to industrial and provident societies and building societies, and the Registration of Business Names Act, 1916, as amended; to consider in the light of modern conditions and practices, including the practice of take-over bids, what should be the duties of directors and the rights of shareholders; and generally to recommend what changes in the law are desirable.'

Anyone who wishes to give evidence, but has not received an invitation to do so, should apply to the Secretary, Company Law Committee, Board of Trade, Horse Guards Avenue, London, SW1.

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS JAMES MESTON & Co, Chartered Accountants, of 6 Golden Square, Aberdeen, announce that Miss ELIZABETH P. DAVIDSON, M.A., C.A., has been assumed a partner of the firm as from January 1st, 1960.

MESSRS CARNABY HARROWER, BARHAM & Co, Chartered Accountants, of College Hill Chambers, Cannon Street, London, EC4, announce that as from January 1st, 1960, Mr M. F. PICKETT, A.C.A., has been admitted to the partnership.

MESSRS SHERWOOD, BAINES & Co, formerly of 115 High Street, Stockton-on-Tees, announce that as from January 16th, 1960, they have changed their name to SHERWOOD, BAINES & JACKSON, and their address to 7 Varo Terrace, Yarm Lane, Stockton-on-Tees. There is no change in the partners.

Appointments

Mr J. F. Robertson, C.A., financial director and treasurer of the Hawker Siddeley Group Ltd, has been appointed a director of Bristol Siddeley Engines Ltd.

Mr H. A. B. Claypole, T.D., F.C.A., has been appointed a director of Eileen Alannah Mining Co Ltd.

Mr W. W. Watt, M.A., A.C.A., has been appointed a director of Joseph Sankey & Sons Ltd.

Mr J. W. Kinsman, F.C.A., formerly deputy chairman of the Council of Relay Services Association of Great Britain, became chairman of the Council at its meeting on January 12th; Mr P. L. Scarr, F.C.A., and Mr A. D. Thomas, F.C.A., A.C.I.S., are among the six vice-presidents elected at the meeting.

OBITUARY

The Hon. William John O'Brien,
O.B.E., D.Phil., J.P., F.S.A.A.

It is with regret that we record the death at the age of 99, only seven months short of his centenary, of The Hon. William John O'Brien, O.B.E., D.Phil., J.P., F.S.A.A., who was a well-known figure in the profession and public life of South Africa.

Admitted to membership of the former Society of Incorporated Accountants in 1895, Dr O'Brien toured South Africa in the same year with the late Sir James Martin, F.S.A.A., a former President of the Society, to commence the work of the Society there. In 1910 he became a foundation member of the Natal Society of Accountants when that body was formed by legislation, and he was subsequently its President for three years. He was also a founder member of the committee of the South African (Eastern) Branch of the Society of Incorporated Accountants, a position he held until the time of his death.

Dr O'Brien was a firm supporter of the integration

scheme and in 1957, at the age of 97, he travelled many miles to be present at a meeting of the Eastern Branch at Durban so as to give his blessing to the scheme.

In business in Pietermaritzburg for seventy-one years, Dr O'Brien had been the oldest living member of the Johannesburg Stock Exchange. He had been a City Councillor of Pietermaritzburg and its Mayor; from 1918-1938 he was a Member of Parliament and for the next ten years a Senator. The honorary degree of Doctor of Philosophy was conferred upon him by the University of Natal.

DUTIES OF DIRECTORS

Chartered Accountants appointed to New Committee

Sir Halford Reddish, F.C.A., chairman of Rugby Portland Cement Co Ltd, and Mr John Corbett, F.C.A., a partner in the firm of Peat, Marwick, Mitchell & Co, chartered accountants, of London, have been named by the Institute of Directors as members of its committee which is to examine the duties and responsibilities of directors. The committee will be under the chairmanship of Sir Edwin Herbert, a Past President of The Law Society.

The committee's terms of reference are not confined to purely legal aspects of directors' duties, but include the standards of behaviour of directors in such matters as take-over bids.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

- Case Studies in the Observation of Inventory. (American Institute of Certified Public Accountants.) New York. 1959. (A.I.C.P.A., presented.)
- Construction Accounting and Financial Management; by W. E. Coombs. New York. 1958. (F. W. Dodge, 94s.)
- Cost Accountants' Handbook; ed. by T. Lang. New York. 1958. (Ronald Press, 96s.)
- Differential Costs and Management Decisions; by D. R. C. Halford. 1958. (Pitman, 15s.)
- The Dynamics of Management. (American Management Association.) New York. 1958. (A.M.A., 30s.)
- The Economics of Money; by A. C. L. Day. 1959. (O.U.P., 7s 6d.)
- European Organizations: 1959. (Political and Economic Planning.) 1959. (P.E.P., 30s.)
- 15 to 18: a report of the Central Advisory Council for Education (England): Vol. 1: report. (Ministry of Education.) 1959. (H.M.S.O., 12s 6d.)
- Financial Management; by A. Donnelly. Sydney. 1959. (Butterworths, 40s.)

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Guides to Successful Accounting Practice; ed. by B. B. Isaacson. New York. 1959. (American Institute of Certified Public Accountants, 32s.)

How the City Works; by Oscar Hobson: Sixth Edition. 1959. (News Chronicle, 8s 6d.)

Income Tax Principles; by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A.: Fourth Edition. 1959. (H.F.L., presented, 12s 6d.)

The Measurement of National Wealth: income and wealth series VIII; ed. by R. Goldsmith and C. Saunders. 1959. (Bowes & Bowes, 45s.)

Paterson's Licensing Acts; by J. Paterson: Sixty-eighth Edition by F. M. Smith. (1959.) (Butterworth, 70s.)

Principles of Cost Accountancy; by C. I. Buyers and G. A. Holmes. 1959. (Donnington Press, 35s.)

*Ranking, Spicer and Pegler's Executorship Law and Accounts; by D. F. de L'H. Ranking, E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: Nineteenth Edition, by H. A. R. J. Wilson, F.C.A.: 1956. Supplement 1959. (H.F.L., 2s 6d.)

Readings in the Economics of Taxation. (American Economic Association.) 1959. (Allen & Unwin, 36s.)

Smith's Taxation: Sixty-third Edition; by A. E. Bevan. 1959. (Advertiser Press, 15s.)

Studies in Company Finance: . . . the economic analysis . . . of British company accounts; ed. by B. Tew and R. F. Henderson. Cambridge. 1959. (C.U.P., 35s.)

A Survey of Large Companies; by R. Harris and M. Solly. 1959. (Institute of Economic Affairs, 42s.)

Wall Street: the inside story of American Finance; by M. Mayer. 1959. (Bodley Head, 21s.)

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee of the Chartered Accountants' Benevolent Association, the chair was taken by Mr B. J. Davis, F.C.A., in the absence of the President, and eight members were present.

Applications for Assistance

Two new applications for assistance were considered. In the first case a temporary grant was approved; in the second case a donation was made together with a grant for one year.

Nineteen cases for further assistance were considered. In fourteen cases the grant was increased; owing to improved circumstances the grant was decreased in two cases and in one case no further grant was made.

Matters Reported

The honorary secretary reported changes in the circumstances of nineteen beneficiaries during the last quarter and grants were adjusted or donations made in appropriate cases.

Legacies and Donations

The honorary secretary reported the receipt of legacies and donations to the total value of £325.

* This has been presented to all District Society Libraries under the grant of books scheme.

SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

A discussion group meeting for London members of The Institute of Chartered Accountants of Scotland will be held on Monday next in the Oak Hall of the English Institute, Moorgate Place, EC2, commencing at 6 p.m. The subject will be 'The application of economic control in industry' and the speaker, Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M.

THE INSTITUTE OF INTERNAL AUDITORS Newcastle Chapter

A meeting of the Newcastle Chapter of The Institute of Internal Auditors will be held on March 3rd, at 7 p.m. at the County Hall, Newcastle upon Tyne, 1, when Mr J. R. Newsome, A.S.A.A., internal auditor of the Northern Gas Board, will speak on 'Internal auditing in practice - the scope of my job'.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 8.45 p.m., at St Bartholomew's Hospital: '59 Club' debate with St Bartholomew's nurses on the motion 'It is unfeminine for women to partake in sport'.

Tuesday: Visit to the Royal Mint (limited number). Visit to Fords Motor Works (limited number).

6 p.m., at the Institute, Moorgate Place, EC2: Joint debate with Solicitors' Articled Clerks on the motion 'This house would rather marry Miss Bardot than Mrs Beeton'.

Wednesday, 5 p.m., at the Institute: Meeting to welcome new members.

Friday: Visit to National Provincial Bank (limited number).

5.15 p.m., at the Institute: Introductory course lecture on 'How to study', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.

7.30 p.m., at Westcliff-on-Sea: Quiz competition between Chelmsford and Southend branches.

Saturday: Squash v. Regent Street Polytechnic.

Students are reminded that the Library and Study Room at Spencer House, South Place, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The Study Room is available in the evening by prior arrangement.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'Where do I go from here' is the title of an address which will be given at a meeting of The Accountants' Christian Fellowship next Tuesday, January 26th, at 6 p.m. in the Oak Hall of The Institute of Chartered Accountants, Moorgate Place, EC2, by Mr Jack Wallace, LL.B., of the Lawyers' Christian Fellowship. The speaker will be considering the position of those who have served a sentence of imprisonment.

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Business Forecasting

THOSE who in their military training were called to some level of command may recall the system of mnemonics used to ensure that one's actions were properly ordered in all emergencies. For many, the mnemonics themselves will be lost from memory, far more the meaning which attached to them. To some the thought may have occurred that in a number of business problems also, it might be possible to establish forms of procedure or patterns of behaviour which would anticipate the fruits of individual experience.

This line of thought might be reinforced by a lecture¹ delivered last week to the Royal Society of Arts by SIR FREDERIC HOOPER. The strategies of war and industry, said SIR FREDERIC, are fundamentally similar; each resting on a careful appraisal of the situation, on making a plan of attack and on the proper implementation of the plan. Now, in business terms, of course, the plan will normally be embodied in a series of budgets. The appraisal of the situation will involve first, a survey of the circumstances and influences likely to be significant in a given period, and second, a detailed assessment of the probable course of events. These two activities are embraced by the term 'business forecasting' about which there has been a growing volume of literature in recent years.

Business forecasting, in providing the background of information and appreciation upon which realistic budgets may be set, is obviously of basic importance to the prospects of an enterprise. Recognizing this fact, The Institute of Cost and Works Accountants has turned the attention of its members to the study of business forecasting, and the results of their thoughts and discussion are to be published on February 1st in a publication which, though it does not contain any system of mnemonics, does provide a sort of field service pocket-book on the essential techniques of this subject.²

Forecasting is considered in five aspects:

- (1) Forecast of sales.
- (2) Forecast of output.
- (3) Forecast of capital expenditure.
- (4) Forecasting of trading results.
- (5) Forecast of cash position.

Each of these may, of course, be the subject of an isolated exercise, but as each aspect will affect all the others, it is common to find them linked in most business situations, and particularly

¹ 'The function of management in industry and commerce.'

² *An Introduction to Business Forecasting*. To be distributed for The Institute of Cost and Works Accountants by Gee & Co (Publishers) Ltd, London, 7s 6d post free.

as the necessary preliminary to an annual or other periodic budget. In these circumstances, it is necessary to decide what is the governing factor in operation for the period of review, and to concentrate first on the aspect of forecasting immediately affected by that factor.

In many cases the limiting factor may be sales demand, particularly as the state of the market is usually far less susceptible to control by management action than the various elements of cost or the supply of capital resources. It is interesting, therefore, to study the factors influencing the level of sales and to note how restricted each is in its impact, in the sense that very few businesses will be affected by more than two or three of the possible streams of outside influence. Undoubtedly, from time to time some enterprise will be subject at the same time to the effects of governing policy, the repercussion of world events and some change in fashion or taste. But, in general, the uncontrollable factors influencing sales (changes in the general make-up of the population, the general levels of employment and income, the redistribution of incomes) are sufficiently gradual in their effect as to make counter-measures possible.

In illustration of the practicability of sales forecasting, the book cites in detail the experience of one well-known company over a period of twelve years. Including an exceptional deviation of 9.6 per cent in 1952-53, when the recession in United Kingdom business activity was sharper than had been anticipated, the mean absolute deviation of sales from forecast was 3.4 per cent. It would be interesting to have more details of the product range, the number of customers and the consistency of their orders, and the size of the order book relative to the annual turnover. Nevertheless, one must assume that the experience of this particular firm is not exceptional, and this does confirm the belief that the effect of general external factors influencing the level of sales is normally of minor importance in short-period forecasting, compared with the internal controllable factors.

In addition, of course, one is more and more aware of the powers of persuasion now available to the salesman; powers noted briefly as 'the use of promotional aids such as market research and advertising'.

A useful chapter in the new publication discusses the use of standard costs in forecasting.

One tenet of the standard costing theory (and a *desideratum* of any scheme of predetermined overhead rates) is that normal output should absorb normal expenditure. An attempt is made to define normal hours or standard capacity. One would like to see this subject elaborated. It is continually surprising how the number of standard hours obtainable from an existing facility can be varied, and when this capacity for expansion is combined with a steady expansion of facilities, the determination of a norm for anything but a short period is a matter on which little theoretical guidance or practical information is available.

In general, this publication is an *aide memoire*, a shopping list of factors to be evaluated in any forecast, rather than a detailed study of forecasting techniques. It is in fact presented only as an introduction to those techniques.

Members comprising branch research groups are seldom experts in one particular field, and the time available for such studies is limited. The research group method can give valuable results, but mainly in the collation and standardization of working practices rather than in the elaboration of general principles. Within this limitation the present book is workmanlike, readable and well edited. It will undoubtedly be a valuable desk book for accountants in industry – both those who are tackling for the first time the problems of financial forecasting, and those who wish to ensure that their forecasts cover all the factors which the experience of other accountants shows to have possible significance. We hope it will encourage the further detailed research that this subject demands.

Out of the mist of time comes back one of those forgotten catch-words – TWOLRAO. T was for 'thought' and the terminal O for the eventual giving of 'orders'. In between came the various activities (liaison, reconnaissance, appreciation of the situation) corresponding to business forecasting, but one may think that the T and the O were the most important. Intelligence and authority are the two irreplaceable elements in a successful business. As one of the authors of the new Cost Accountants' publication comments, 'forecasting will most probably never be an exact science', or as SIR FREDERIC HOOPER has it, 'management is a problem of personality rather than of abstract rules'.

The Price of Unanimity

ANY lingering doubts regarding the CHANCELLOR'S real views on the Radcliffe report which still remained after the November debate in Parliament must surely have been dispelled by last week's increase in Bank rate. Although it is designed partly to bring London's interest rates into line with those in foreign centres, MR AMORY has also stated that he hopes thereby to administer a small tranquilizer to the economy – a prescription with which the Radcliffe report would hardly agree. For such reasons the publication this week of a symposium of essays by a group of distinguished and informed contributors commenting upon the Radcliffe report is of especial interest.¹

The publication of the symposium was decided upon when it became known that the Radcliffe report was to be unanimous. It was felt that

'the compromises required to reach unanimity might blur the issues rather than put them into high relief and so assist the formation of policy'

– a view, it may be noted, expressed many months ago in this journal.

In the opening essay, MR PETER THORNEYCROFT – who, as CHANCELLOR OF THE EXCHEQUER at the time, appointed the Radcliffe Committee – comments in particular on the committee's failure to examine the real causes of inflation and concludes that the committee underestimated the importance of regulating the supply of money. He asserts emphatically that if Governments pursue proper financial policies, the physical controls advocated by the committee – 'these nauseous emetics' – will not be necessary.

In an erudite discussion of interest rate policy and the history of credit regulation, PROFESSOR VICTOR MORGAN condemns the committee's efforts to evolve a substitute for the traditional control of the supply of money as 'a dismal failure'. He pointedly comments on the committee's failure to advocate means to control the tendency of democratic Governments to tolerate creeping inflation. The diagnosis of inflation is, he tartly observes,

'a matter not only of information and judgement but of mental attitude and will'.

¹ *Not Unanimous*. A rival verdict to Radcliffe's on money. Ed. A. Seldon. The Institute of Economic Affairs, 7 Hobart Place, London, SW1. 21s net.

PROFESSOR FRANK PAISH points out that the committee offers no guidance as to the criteria the Government should employ to determine which of the conflicting objectives, e.g. full employment or price stability, should be given priority; or the means of carrying out the policy once it has been agreed.

MR WILFRED KING strongly dissents from the committee's views on restricting the use of Bank rate and the avoidance of high interest rates. As he notes elsewhere, one of the reasons why the post-1945 history of monetary policy is apparently so disappointing, is that credit policy has never been effectively employed or given a proper chance to make itself effective. It is noteworthy that in contrast to the Radcliffe Committee, MR KING is strongly critical of the cartelization of the discount market and the syndicated weekly tender for Treasury bills.

SIR OSCAR HOBSON, in his commentary, dwells on the fact that the committee 'purchased unanimity at too high a price'. He believes that to placate the left wing, which is opposed to monetary control, i.e. primarily deflation, as a method of regulating the economy, the committee was compelled to

'elaborate the nebulous and imprecise liquidity structure theory'.

On the other hand, SIR OSCAR agrees that unanimity was worth while in the effort to keep the Bank of England outside the political arena.

In the concluding essay, MR ARTHUR SELDON, the editor of the symposium, summarizes the views of the various commentators. Perhaps he is right when he notes that

'monetary measures cannot be said to have failed because Governments think it politically inconvenient to push them to the point at which they are effective'.

On the other hand, this is not the complete answer to the question of the role that monetary policy should play in a modern democratic economy; any more than was the conclusion of the Radcliffe report a solution to this question. However, The Institute of Economic Affairs has performed a valuable service in publishing these essays.

Economists and Published Accounts

IN recent years, economists have been devoting increasing attention to published company accounts as source material for economic analysis, both in the field of national income accounting and as indicators of economic trends. The latest fruits of this inquiry have been published in a book sponsored by The National Institute of Economic and Social Research.¹ This study consists of a highly detailed analysis of the financial data derived from the published accounts of 2,549 companies whose shares are quoted on stock exchanges in the United Kingdom. The accounts covered by the inquiry relate to the years 1949-53 inclusive.

The following table illustrates the size of the companies whose accounts were included in the survey. For purposes of this classification, 'size' is defined as the total of net assets; the two sets of figures relate to the beginning and end of the five-year period under review:

Net assets (£,000s)	Number of Companies	
	Beginning	End
Up to 250	690	517
251 - 500	610	516
501 - 1,000	512	544
1,001 - 2,000	349	422
2,001 - 4,000	192	266
4,001 - 8,000	91	128
Over 8,000	105	156
All sizes	<u>2,549</u>	<u>2,549</u>

The authors estimate that these companies together account for at least 40 per cent of the employment in manufacturing industry and probably for about 10 per cent of that in retail distribution. The average annual trading profits of these companies over the five-year period is estimated at £423,000.

The analysis of the accounting data is of two main types. First, there is a series of chapters in which different classifications and breakdowns of the aggregate data are employed and discussed. For example, dividend policy and income appropriation during the five years are examined, as well as the extent of self-financing and the sources

of capital - fixed and floating - drawn upon by these companies. The second part of the book consists of several essays by different authors, each based upon an industrial classification of the companies, aggregate data for each industry being examined in the light of the industry's development during the five-year period. Among the industrial groupings are cotton, brewing, building, electrical engineering and electrical goods; there is also a survey of the accounts of companies engaged in retail distribution. The book is completed with a substantial statistical appendix in which the companies are classified according to seventeen different 'indicators', e.g. size and duration of bank overdraft, the volume of trade credit, the degree of self-financing, etc.

Among the many conclusions drawn by the authors is the great heterogeneity of the companies, even when classified within industrial groupings. Rather more significant results were obtained by classifying companies by size rather than by industry; for example, the larger companies are seen to have expanded more rapidly during 1949-53 than the average, while their distribution of profits was more generous. These accounts reveal little evidence of financial stringency at any time during this period and the authors are impressed by the apparent scale and importance of trade credit, as well as the relative unimportance of bank credit. Despite the considerable improvements in published accounts since the advent of the 1948 Companies Act, economists remain dissatisfied with the amount of information provided (and, of course, they are not alone in this). A particular lack is any indication of turnover. They would also like to see published statements of the sources and allocation of capital resources, while they are critical of the present methods of valuing stocks on the grounds that more information about this economically significant variable is desirable.

This is not an easy book to read, for it is packed with figures and the detailed commentary occasionally prompts the thought that a different presentation of the material collected would have been preferable for the non-academic reader. However, the National Institute and the authors deserve credit for undertaking this inquiry.

¹ *Studies in Company Finance*. A symposium edited by B. Tew and R. F. Henderson. Published for the National Institute of Economic and Social Research by the Cambridge University Press. 35s net.

The Ind Coope Pension Scheme and Contracting Out

by GORDON A. HOSKING, F.I.A., A.T.I.I.

ATENTION was drawn in last week's issue of *The Accountant* to the decision of Ind Coope Ltd, to contract out its employees from the graduated benefits under the National Insurance Act, 1959. This is the first large company to make known its intention in this matter, and as this problem is being considered by so many employers it may be worth looking at the question a little more closely.

Most companies in the brewing industry have for many years had pension schemes for their employees. Ind Coope, in fact, has had one in operation at least since 1949 but, with the coming of the new National Insurance Act, they have looked at the whole matter again and the scheme which has received a good deal of publicity recently is one covering some 3,500 weekly-paid employees.

Employees Represented on Management Committee

The 1949 scheme was operated through an insurance company but the new one which commences to operate next Monday, February 1st, is to be privately invested. It has been set up under a trust, the trustee being Ind Coope Pension Trust Ltd. In order to ensure that all interested parties have a voice, the board has appointed a general purposes committee to manage the scheme comprising six members, and the works councils at Burton, Romford and Watford will each nominate one member of this committee. Adequate financial and actuarial advice has been arranged for.

It is becoming increasingly common for employers to bring their employees into the management of pension funds. The trust itself is an independent entity and although the money is contributed jointly by the employer and his employees it is irrevocably set aside for the benefit of the employees. This trend is having an important bearing on the spread of interests in the equity of British industry for many pension funds are partly invested in equity shares; the employees are the beneficiaries and are therefore vitally interested in the investments and can take a hand in their management through their representatives.

Having decided to introduce a new pension scheme with contracting out of the graduated State benefits in mind, it is interesting to look at the details of the scheme which has been set up. It is to be a condition of service that all full-time weekly-paid employees entering the service after February 1st, 1960, shall join the scheme immediately (or on attaining age 18, if later) provided they have not attained age 55 (males) or 50 (females), and all service as a member is to rank including any National Service.

The eligible employees are to be divided into three grades: (1) works employees; (2) deputy foremen and charge hands; and (3) foremen. The weekly contributions in these grades will be 2s 3d, 2s 6d and 2s 9d, respectively (except that those under age 20 will pay nothing), the company paying the balance of the cost which is estimated to be £100,000 per annum or about 12s per employee per week.

Normally the pension will be payable from age 65 (males) or 60 (females) and for Grade 1 employees will amount to 17s 6d per week for ten years' membership plus 1s 9d per week for each additional year up to ten further years and 9d per week for each year over twenty, so that for a full forty-seven years of membership the pension will be 55s 3d. For each year in Grade 2 a further 6d per week will be payable and for each year in Grade 3 a further 1s per week. There is provision for early or late pensions with appropriate reductions or increases. These pensions will, of course, be in addition to the basic National Insurance pension of 50s per week for a single person and 80s for a married couple.

On death before retirement a lump sum of £50 (Grade 1), £60 (Grade 2) or £75 (Grade 3) is payable. If a member is over age 23 when he dies and there is a widow, she will receive a pension equal to half the pension that the member would have received had he remained in service to pension age in his then current grade and if there are children receiving full-time education an additional 20s for the first child and 7s 6d each for the second and third. If there are no widow or children the member's contributions will be returned together with the lump-sum death benefit.

If a pensioner dies and leaves a widow she would receive a pension at half-rate provided she was married to him before he was aged 65. Other dependants may be provided for at the discretion of the trustee. If no such provision arises, and death occurs within five years after retirement, an amount equal to five years' pension less amounts already paid will be payable.

Tax Aspects

The employees' contributions will rank in full as a deduction from earnings for income tax purposes and on leaving the company's service prior to April 1961, when the new State graduated scheme comes into operation, these contributions will be returnable but an amount equal to tax at one-quarter of the standard rate will be deductible. These arrangements arise because the scheme is being approved under Section 379 of the Income Tax Act, 1952, and because of this also, the interest earnings of the fund will be free of tax.

The members of the scheme will be contracted out of the State graduated scheme as from April 1961 and if a member leaves after that date there will be provided a deferred pension equal to the maximum State graduated pensions – about 10½d per week per year of contracted-out service for a man and about 9d for a woman – and a partial refund of contributions will be made. As an alternative to the partial refund of contributions, a further deferred pension can be granted and there will then also be a widow's pension payable after the member's death or when the widow reaches age 60 whichever is the later. When a female member leaves she will receive a gratuity in respect of service after February 1st, 1960, ranging from £5 for one year's service to £52 for eight or more years.

It is of interest to compare the position of employees under these arrangements with a similar employee who is in the State graduated scheme but not in a private pension scheme. Both will receive the basic State benefits, so we need compare only the additional benefits. The increases in National Insurance contributions in 1965, 1970, 1975 and 1980 are ignored.

EXAMPLE 1.

A male employee aged 25 joins in April 1961 and remains in service in Grade 1 until age 65. His earnings are £9 per week and these increase to £14 per week.

Ind Coope. National Insurance contribution 9s 11d. Contribution to pension scheme 2s 3d. Total 12s 2d per week. Pension from age 65: 50s

per week; widow's pension 25s per week payable from date of death; lump sum death benefit £50.

State Graduated Scheme. National Insurance contribution increasing from 8s 4d to 12s 7d. Graduated pension from age 65 say 15s per week; graduated widow's pension ranging from nothing to, say, 7s 6d depending on the date of death, payable from date of death or when widow attains age 60 whichever is later.

Obviously the Ind Coope employee is better off in total, but the question might legitimately be asked as to why he is to be contracted out while he is earning only £9 per week. This results in his paying 9s 11d under National Insurance whereas he might have paid only 8s 4d for the same benefits and the company will have to pay 8s 3d instead of 7s. When he reaches £10 per week, if he had not been contracted out there would still be a saving in National Insurance contributions and he would acquire some State graduated benefit in addition to that under the company's scheme.

EXAMPLE 2.

The employee in Example 1 leaves at age 35.

Ind Coope. Deferred pension 8s 9d plus a partial refund of contributions. He has been covered for an immediate widow's pension of 25s per week and the lump sum of £50, for ten years.

State Graduated Scheme. Accumulated graduated pension say 1s per week. He has been covered for a widow's pension ranging from nothing to 6d per week which, had he died, would probably not have commenced to be payable for thirty years.

The above examples show a particular employee's position. It is not possible to compare the cost to the company without a lot more information as to the distribution of employees by sex, earnings and age, but on general considerations it must be cheaper to provide a given benefit through a private scheme than through the State scheme because the money earns interest in the former but not in the latter. However, the effect of the higher National Insurance contribution for the lower paid through contracting out (if they are contracted out) and the effect of deferred pensions for those who leave will have a powerful effect on any comparisons of cost. This is where grouping employees – some contracted in and some contracted out – can show a saving.

It is good to know that the scheme has received the whole-hearted approval of the works councils. That is half the battle because an important aspect of any pension arrangement is the psychological effect on the employees.

French Law on Auditing

by KENNETH S. MOST, LL.B., F.C.A.

FRENCH law relating to the accounts and auditors of companies differs in a number of ways from the comparable English legislation. In the first place, the French laws requiring proper accounts to be kept are embodied in the commercial code rather than in company law. Secondly, whereas French law, like the English Companies Act, requires companies to appoint auditors, there are wide differences between the categories of persons disqualified from holding the office. Thirdly, French law requires public companies¹ to appoint at least one auditor from those persons registered for the purpose by the local Court, so that the choice is to this extent more restricted than the provisions of Section 161 of the United Kingdom Companies Act. Fourthly, a number of special responsibilities are placed upon the French auditor with which his English counterpart is not concerned. And finally, whereas the British auditor is given complete freedom to determine the scope and nature of his examination, French law lays down in some detail the manner in which an auditor must discharge his function.

The purpose of this article is to attempt briefly to describe the French law on the audit of company's accounts and to draw attention to some of the provisions of interest to auditors of British companies with subsidiaries or affiliates in France.

Commissaires aux Comptes de Sociétés

A basic law of 1867, as amended by decree since that date (more particularly, a decree of August 31st, 1937), provides that all companies shall have their accounts audited by one or more *commissaires aux comptes* on behalf of shareholders, creditors and other interested parties. Accounts are required to be laid before shareholders in general meeting annually.

A private company may appoint as auditor any person not specifically disqualified from holding the office, including other companies and foreigners, but a public company must appoint at least one auditor from a list drawn up by a special committee under the jurisdiction of the local Court of Appeal. Public companies, however, may also appoint additional auditors as freely as private companies.

Since 1936, a diploma for *commissaire aux comptes* has been obtainable by public examination, but this diploma is not essential for appointment as an auditor, even by a public company. The qualification is not of the same standard as that of *expert comptable* (qualified accountant) but includes book-keeping and accounts and mercantile and company law.

The following are specifically disqualified from serving as auditors:

- (1) the spouse, parents or relatives to the fourth degree inclusive of the directors in office during their term of office, or of persons who contributed assets on the formation of the company, throughout its existence;
- (2) the directors of the company during their terms of office;
- (3) persons in receipt of a salary or other remuneration from the directors in office, other than in respect of the function of auditor;
- (4) persons receiving a salary or other remuneration from an undertaking owning one-tenth or more of the capital of the company, or in which the company owns one-tenth or more of the capital;
- (5) persons forbidden by law to exercise the functions of administrator or director, undischarged bankrupts and certain other classes;
- (6) spouses of persons specifically excluded;
- (7) spouses of civil servants, lawyers, notaries and other public officials;
- (8) Members of Parliament and senators, in the case of companies subventioned by the State and public finance companies.

If a cause for disqualification occurs during an auditor's term of office, he must cease to exercise his functions immediately and notify the board of directors within fifteen days, and they must arrange for his replacement.

Appointment of Auditors

The law prescribes two methods of appointment of auditors, the normal one being by the general meeting of shareholders and the exceptional procedure being a judicial appointment by the president of the Commercial Court of the area where the registered office is situated.

When the company is formed, the auditor or auditors will be appointed by the formation general meeting of shareholders, the numbers being fixed by the company's articles. The first auditors hold office for one year. They must

¹ The distinction between public and private companies is broadly the same as in England.

accept the appointment formally as the company is not validly constituted until they have consented to exercise their functions. Thereafter auditors are appointed by the shareholders in general meeting for periods of three years at a time with no restriction on their eligibility for re-election. Such re-election may be implied if the accounts are accepted by the general meeting and no formal resolution for re-election of auditors is submitted.

A judicial appointment may be made on liquidation of a company or to replace auditors where this is necessary. If no auditor is appointed by the shareholders in general meeting, or where the office is refused or the auditor is prevented from exercising his functions, the Commercial Court may appoint.

Duties of Auditors

The auditors must check the accuracy and authenticity of inventories and annual accounts, and also verify the accuracy of statements about the accounts of the company contained in the directors' report. They must also report to the police all facts relating to criminal acts which come to their knowledge. They must submit two reports to the shareholders' general meeting on the execution of their duties.

In relation to the accounts of the company, the auditors must satisfy themselves that all figures correspond with those recorded in the books of account, that legislation relating to the accounts has been complied with, and that the form of the accounts is consistent with that of previous accounts and has not been modified other than with the shareholders' approval.

In order to fulfil these functions, the auditors may call for any documents they judge necessary for their purposes. They may also copy such documents for their own use. The law provides auditors with unlimited powers to inquire, but does not authorize them to participate in the direction or administration of the company. Where their legitimate demands are refused by the directors they may apply to the Commercial Court for an order.

The auditors are entitled to employ any persons to assist them in their work but retain full personal responsibility for acts done and for omissions.

Although powers of inquiry are unlimited, powers of checking are expressly determined by the law. Auditors must verify the books of account - ledger, journals and so on - make test checks of entries and call for supporting vouchers. They

must check the cash and assure themselves that the balance corresponds with the result of cash-book entries. The stocks and shares owned by the company (usually in the form of bearer certificates) must be verified, but the auditors are not required to comment on the nature or security of the investments. The same must be done for bills of exchange, promissory notes and other choses in action. The law specifies a number of other matters to be verified.

Auditors may call a general meeting of shareholders in cases of urgency, and the law allows them considerable latitude in deciding when such a case exists. Generally, it is held that urgency exists every time that faulty direction of the company endangers its objects and its capital. Thus, such a situation would exist when the company has become insolvent, when a permanent and serious conflict between directors has revealed itself, when the company is left without a director, when a failure to call an annual general meeting has occurred, and when three-quarters of the issued capital of the shareholders has been lost.

Auditors' Reports

The auditors must submit two reports to the shareholders' general meeting, a general report and a special report, in accordance with the provisions of Section 40 of the law of 1867, modified by Section 10 of the law of March 4th, 1943.

The inventory, balance sheet and profit and loss account must be placed at the disposal of the auditors at least forty days before the annual general meeting. No provision is made for the directors' report to be prepared within a certain period of the meeting, nor for it to be submitted to the auditors.

The general report of the auditors must draw attention to any irregularities or inaccuracies revealed by the audit, and state whether they have encountered any obstacles to the fulfilment of their mission on the part of the directors or employees of the company. No specific form is required for this report.

The special report relates to contracts between the company and one of its directors or between the company and another business where one of the directors is a proprietor, director or official of the latter. The normal business relation between a company and its customers is not included in this provision.

The auditors must report to the shareholders any contract covered by this section of the law, in order to ensure that it receives their approval.

Liability of Auditors

In the first place, an auditor is criminally liable for violating professional secrets, and can be condemned to from one to six months' imprisonment and a fine of from 200-1,200 (new) francs. Under this heading would be found the divulging of figures concerning turnover, results, costs, financial situation and information such as lists of customers, details of internal organization and so on. The auditor's duty to report criminal acts and to provide the shareholders with information about irregularities and inaccuracies overrides this liability.

An auditor commits a crime if he violates the provisions of that part of the law which specifically excludes certain persons from occupying the office. He also incurs criminal liability if he fails to report the criminal acts of the company or its officers and if he knowingly gives or confirms untrue information about the affairs of the company. A further criminal liability attaches if he violates the law forbidding him to accept the office of director of the company he audits during a period of five years after the expiration of his term of office as auditor. The penalty for this last offence is a fine of from 2,400 to 48,000 (new) francs.

Civil liability of auditors is related to their professional status and responsibility, and they are liable for fraudulent and negligent acts and omissions under the general law. They are not liable for the acts and defaults of the directors of the company unless they have knowingly concealed them from the general meeting of shareholders. Company law makes them liable specifically for having certified inaccurate accounts, for having failed to report contracts and agreements unfavourable to the company, and for having failed to notify shareholders of debts which are irrecoverable.

In view of the duties which are attributed to auditors and their liability under both the general and company laws, it might be expected that the standards of the profession are particularly high in France. In point of fact there is wide variation in auditing standards between practitioners. An auditor need not be qualified, or a member of a professional body, so that the sanctions to which one is inclined to look in the first place cannot always be applied. Since the last war the French Government has taken a prominent part in raising the standards of the profession and there is a growing tendency to appoint auditors from the ranks of those who have passed the State examinations and are members of the professional bodies.

Remuneration of Auditors

The law provides that an auditor's remuneration shall be fixed by the shareholders in general meeting, a power which is also given to the president of the Commercial Court. In practice, however, auditors have a professional tariff laid down by the Federation of Societies of *Commissaires aux Comptes*. The following is a scale laid down in 1951¹.

TARIFF OF THE FEDERATION OF SOCIETIES OF 'COMMISSAIRES AUX COMPTES' (1951) (In francs)

<i>Capital and reserves totalling (millions)</i>	<i>Fee</i>	<i>Capital and reserves totalling (millions)</i>	<i>Fee</i>
1	20,000	450	140,000
3	25,000	475	145,000
5	30,000	500	150,000
7	35,000	550	155,000
10	40,000	600	160,000
15	45,000	650	165,000
25	50,000	700	170,000
35	55,000	750	175,000
50	60,000	800	180,000
75	65,000	850	185,000
100	70,000	900	190,000
125	75,000	950	195,000
150	80,000	1,000	200,000
175	85,000	1,100	210,000
200	90,000	1,200	220,000
225	95,000	1,300	230,000
250	100,000	1,400	240,000
275	105,000	1,500	250,000
300	110,000	1,600	260,000
325	115,000	1,700	270,000
350	120,000	1,800	280,000
375	125,000	1,900	290,000
400	130,000	2,000	300,000
425	135,000		

Travel expenses are charged separately from fees. Where two auditors are appointed, the scale fee is increased by 30 per cent and the total fee is divided by the auditors according to the agreement between them. Where three auditors are appointed, the tariff is increased by 50 per cent.

Termination of Functions

The company law provides for the auditor's appointment to cease at his death or incapacity, by revocation or resignation, on liquidation of the company, or when it becomes insolvent, as well as on the expiry of the period for which he was appointed.

An auditor can resign his duties at any time by notifying the board of directors, but if his resignation is prompted by the intention to damage the affairs of the company he can be sued for any loss suffered in consequence. As to revocation, this can only be done by the shareholders in general meeting, for the auditor is the agent of the shareholders throughout the period of his office.

¹ I have not revised the scale to the new franc basis. — Author.

Is the £ an Overstated Unit of Currency?

CONTRIBUTED

THE new (heavy) franc came into general use in France on January 1st, and as from that date all cheques must be made out in the new form and must bear the designation BPNF *bon pour nouveau franc*.

Expressed in terms of British currency, the new franc's approximate exchange value of Frs.13.80 has a purchasing power of 100 times the old franc. It no doubt appears strange to a Belgian, whose franc at 140 to the £ formerly bought nearly ten French francs, that his Belgian franc is now approximately one-tenth of his neighbour's currency.

Much has been written on the merits of a decimal system for Britain's currency and the need for its adoption. At the same time the recommendations seem to ignore the factor that compared with other principal countries, the £ sterling is quite a big fellow. Only five of the forty-eight members of the International Monetary Fund have high monetary units of £1 or more, and it could well be that a unit of half that size – the equivalent of 10s – which for the want of a better term might be called a 'royal', would make for easier and more efficient usage.

Reverting to the currencies of the principal trading countries, the following comparative table illustrates that in all cases the monetary unit of measurement is considerably less:

	Current rate	Denomination	Per cent
Great Britain ..		£ ..	100.00
U.S.A. ..	2.80	\$..	35.71
Netherlands ..	10.50	Florin ..	9.52
Switzerland ..	12.00	Sw. Franc ..	8.33
France (new franc)	13.78	N.F. Franc ..	7.26
Sweden ..	14.50	Sw. Kronor ..	6.90
Norway ..	20.00	N. Kroner ..	5.00
Belgium ..	140.00	B. Franc ..	.71
Italy ..	1750.00	Lira ..	.06

Financial statements and reports, accounting records, etc., are all expressed in local currencies. Would there be such a disadvantage in forsaking the proud £ for a more realistic and manipulative unit of currency? It is obviously out of line with other countries.

The change-over to a decimal system has been stated to be costly; that cash registers, accounting machines and calculators, even petrol pumps would need to be converted or be obsoleted. In South Africa, where decimal coinage is to be introduced in 1961, the cost, it is stated, may be as high as £30 million to £40 million, but this is

negligible compared with the long-term economies and advantages that the system would ensure.

No Complicated Fractions

A change-over in the United Kingdom could be effected with an absolute minimum of inconvenience, time and cost, and moreover without involving complicated fractions or going to three places of decimals. The accompanying table suggests the establishment of an eventual prime unit of currency termed a 'royal', as previously mentioned, without difficulties or complications. New notes could be issued for the 'royal' and 'half royal' while coins could be minted for 25, 10, 5 and 1 cent denominations. There would be no reason to retain the halfpenny, just as in the U.S.A. the smallest coin denomination of one cent is equivalent to nine-tenths of a penny. Thus, goods would be adjusted to the price, and a royal cent would buy two candles instead of a halfpenny candle in the similar manner that, before the First World War, the customer was offered the choice of a packet of pins to his farthing change.

SUGGESTED CONVERSION TABLE

£1 = 2 Royals 10s = 1 Royal

Evaluate 10 pennies to 1 shilling: thus 6d = .06. Eliminate halfpennies and farthings.

Present Currency	Royals	Present currency	Royals
s d		s d	
20 0	2.00	10 0	1.00
19 9	1.99	9 0	.90
19 8	1.98	8 0	.80
19 7	1.97	7 0	.70
19 6	1.96	6 0	.60
19 5	1.95	5 0	.50
19 4	1.94	4 0	.40
19 3	1.93	3 0	.30
19 2	1.92	2 6	.25
19 1	1.91	2 0	.20
19 0	1.90	1 6	.15
18 6	1.86	1 0	.10
18 0	1.80	9	.09
17 6	1.76	8	.08
17 0	1.70	7	.07
16 6	1.66	6	.06
16 0	1.60	5	.05
15 0	1.50	4	.04
14 0	1.40	3	.03
13 0	1.30	2	.02
12 0	1.20	1	.01
11 0	1.10		

Thus: £54 2s 9d = Royals 108.29

£101 19s 11d = Royals 203.99

Amounts in black type denote notes or coins in use. For a time, there would be a slight premium on ownership of sixpenny and threepenny pieces.

Weekly Notes

The Institute's Examinations

THERE were 3,382 candidates for the November 1959 examinations of The Institute of Chartered Accountants in England and Wales. Of 1,396 candidates for the Final examination, 673 (48.2 per cent) passed and 723 failed; in the May 1959 examinations, 512 (44.4 per cent) passed and 640 failed. The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Advanced Accounting (Part II) were won by Mr Richard Keay Fisk, of London. The Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on General Financial Knowledge and Cost and Management Accounting were won by Mr Roger Jackson Clark, also of London, and the Third Certificate of Merit was won by Mr Michael Narramore Peterson, of Liverpool.

In the Intermediate, there were 1,786 candidates, of whom 826 (46.3 per cent) passed, and 960 failed; in the May 1959 examinations, 762 (46.8 per cent) were successful and 865 failed. The First Certificate of Merit, the Institute Prize, the Robert Fletcher Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Book-keeping and Accounts (Partnership) were won by Mr Alexander Corner, of London.

In the Preliminary examination, 200 candidates sat, of whom 76 (38 per cent) were successful and 124 failed; in the May examinations, 67 (31.2 per cent) passed and 148 failed.

A full list of successful candidates, together with a summary of results, appears elsewhere in this issue.

The Society's Examinations

THE three Chartered Institutes, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Final and Intermediate examinations of the Society in November 1959.

There were 166 successful candidates in the Final examination eligible for membership of the English Institute; two successful candidates eligible for membership of the Scottish Institute, and twelve successful candidates eligible for membership of the Irish Institute.

In the Intermediate, there were 219 candidates, of whom 76 (35 per cent) passed. Of those who were successful, 67 are candidates for membership of the English Institute, one is a candidate for the Scottish Institute, and eight are candidates for the Irish Institute. Honours were awarded to Mr George

Charles Clifton, of London; Mr Terence Fred Everson, of Hull; Mr Mahankali Srihari, of London; and Mr Ernest Grahame Williams, of Sheffield.

A list of successful candidates in the Final examination, together with a summary of the complete results, appears elsewhere in this issue.

Municipal Treasurers' Examinations

A TOTAL of 606 candidates sat for the examinations of The Institute of Municipal Treasurers and Accountants held last November. The results now published show that 221 candidates sat for Part A of the Final, of whom 80 (36 per cent) were successful; in Part B of the Final, 133 candidates sat and 55 (41 per cent) passed.

Places and prizes have been awarded on the combined results of the May 1959 and November 1959 examinations and in the Final examination the First Place, Arthur Collins Memorial Gold Medal and the Institute Prize of ten guineas were awarded to Mr Cyril Charles Jasper, of the Comptroller's Department, London County Council.

There were 252 candidates for the Intermediate examination, of whom 94 (37 per cent) passed, and the First Place and Prize of 6 guineas were awarded to Mr Trevor Rippington, Deputy Financial Advisor, Swindon and District Hospital Management Committee.

The names of the successful candidates in Parts A and B of the Final, together with a summary of the complete results, appear elsewhere in this issue.

Restrictive Practices in 1959

BY the end of 1959 over one-third of the agreements in the register of Restrictive Trading Agreements had come to an end, at least as regards the restrictive provisions contained in them. This represents the demise of about 770 restrictive agreements over the year compared with a figure of 150 published in January 1959. Over the last year the Restrictive Practices Court dealt with thirty-nine agreements. Of these, seven were defended and the Court found five of them contrary to the public interest, one agreement and one restriction in another being found to be consistent with it. The Court made orders with the consent of the parties declaring thirty-two undefended agreements contrary to the public interest.

The cumulative position up to January 1st, 1960, was that 730 agreements had been abandoned or had their restrictive clauses removed, thirty-four agreements had been the subject of Consent Orders, nine agreements had been tried before the Court and there were 120 agreements in preparation for trial.

Dates have already been fixed for hearings in 1960 on agreements covering the following goods—phenol, metal beds and black bolts and nuts. These three are due to have a full hearing before the Court before the middle of the year. In February, four commodities are concerned in Consent Orders.

These are hard fibre-cord twine, trawl twine, process engraving and three agreements between the Carpet Federation and individual wholesalers.

The procedures under the Restrictive Trade Practices Act will thus continue to deal with a series of restrictive practices operated by groups of manufacturers. The big issue on trade restriction in 1960, however, is likely to be the steps which the Government may take to end retail price maintenance. It will be recalled that under the Restrictive Trade Practices Act, restrictive practices between manufacturers to maintain the price of their goods is illegal unless it can be proved to be to the public benefit, but the Act does not prevent the maintenance of prices by an individual manufacturer. The dismantling of retail price maintenance, although an attack on it has been going on for some time in the form of price cutting among grocery multiples and supermarkets, will involve the dismantling of much of the present structure of wholesaling and retailing. There are powerful interests on both sides of industry who will be adverse to seeing the end of fixed retail prices.

Bank rate at 5 Per Cent

THE increase in Bank rate from 4 to 5 per cent last week was less puzzling to the City and industry than the reasons which were put forward for the change. An increase in the rate had been thought likely for some time, although the actual occasion for increasing it was not generally expected. The main official reason put forward for the increase was the need to prevent the domestic economy from becoming over-strained. The external situation was given only secondary importance. Nevertheless, sterling improved significantly after the announcement and the improvement ran on into the beginning of this week.

The change can hardly be described as shock tactics and the reactions to it, for instance on the Stock Exchange, were somewhat mild. The recent programme on television and the warning note struck by some of the bank chairmen in their annual reviews had already reduced share prices and although there were modest declines in prices on the Thursday afternoon following the announcement, the markets did not react abruptly. The big institutions, who these days constitute the bulk of the share-buying public, seem content to accept the general translation of the official announcement that the Government has been determined to take monetary action well in advance of any possible threat of inflation and not to do too little, too late as happened in 1955. Many people are still puzzled, however, that a general instrument of control such as Bank rate has been used on the domestic economy at a time when somewhat more selective measures seem to be called for. It is true that there has been a consumer boom and that the capital goods industries are now picking up after a long period of recession, but unemployment is exceedingly uneven throughout the country and what may be near-inflation conditions in the Midlands

are in strong contrast to the serious under-employment of labour resources in Scotland, Northern Ireland and South Wales. Something seems to be called for which will hold the boom in the Midlands and south-east England while the less fortunate areas get a chance to build up their industrial potential.

The increase in Bank rate at the present time would seem to rule out fairly effectively any likelihood of significant relaxations in the Budget which is due in just over two months' time.

The Banks and Hire-purchase

IN his annual review this year, Mr D. J. Roberts, Chairman of the National Provincial Bank Ltd, has drawn attention to the importance of hire-purchase in banking affairs. He looks forward to a further increase in income from this source and expects that there will be increased competition for hire-purchase business.

The big banks came into hire-purchase about eighteen months ago through participation in the capital of hire-purchase companies. All the big banks have had an exceedingly profitable year in 1959 and it is significant how much the contribution to profits last year by hire-purchase varied from one bank to another. The increase in profits last year by Lloyds and the National Provincial owed a good deal to the dividends accruing from hire-purchase finance. On the other hand, the Westminster and Barclays, and to an even greater extent the Midland, owed only a small proportion of their increase to profits from this source. It has been noticeable that the two banks which have received less in the way of increased profits from hire-purchase, Midland and Westminster, have both been particularly enthusiastic, in their chairmen's annual reviews about personal loan schemes.

Road and Rail Transport Compared

THE broad conclusions on the relative importance of the carriage of goods by road and rail given in the Ministry of Transport study, *The Transport of Goods by Road*, were discussed in a 'Weekly Note' on August 29th last. These conclusions concerned the years 1952 and 1958 - years in which a sample survey, of one week's duration, was carried out into the nature and extent of the carriage of goods by road. In a paper read to the Royal Statistical Society on January 20th, Mr K. F. Glover provided estimates, based on Ministry of Transport censuses of road traffic, of the volume of road transport in 1938 and for each year from 1951 to 1959 inclusive. The volume of goods carried by rail has long been known and published.

Using ton-miles as the unit of comparison, Mr Glover suggests that in 1938 the volume of inland transport amounted to 24-26 thousand million ton-miles, of which a third or more was carried by road. For 1959, the volume is estimated at 42.3 thousand

million ton-miles, of which 2.6, or 58 per cent, was carried by road. The volume of rail transport in 1959, although higher than in 1958, was lower than at any time during the years covered by the comparison – a reflection, in part, of the decline in coal traffic. The volume of road transport has increased since 1951 from an annual figure of 18 thousand million ton-miles to 24.6 last year. Only in one year, 1957, when the Suez restrictions were in operation, has the volume of road transport fallen below that of the previous year (from 21 thousand million ton-miles in 1956 to 20.5 in 1957).

In spite of the considerable lead now held by road transport it was not until 1958 that it held the lead at all. In 1957, the road and rail figures were 20.5 and 20.9 thousand million ton-miles respectively. Last year they were 24.6 and 17.7 thousand million ton-miles.

Variation of Trusts

AT the present time a considerable number of applications, under the Variation of Trusts Act, 1958, for orders extending the powers of investment of trustees is reaching the Court, and although the particular facts of each individual case may clearly have a bearing on the order made therein, the reported decisions show a certain lack of conformity on the part of the judges called upon to exercise jurisdiction under the Act. Three cases reported in *The Times* on January 15th illustrate how the views of the judges diverge. In *Re Warburton's Settlement Trusts*, Buckley, J., said that he must pay attention to the Government's proposals contained in the White Paper, *Powers of Investment of Trustees in Great Britain* (Cmd. 915), wherein it is proposed that trustees should be able to invest in the funds of companies with paid-up capital of not less than £1 million. His lordship refused to accede to the desire of the trustees before him that they should be able to invest in companies with a paid-up capital of £500,000 and substituted £1 million for this figure. Nor was his lordship prepared to allow the whole of the trust estate to be invested in this way; his order extended to rather more than half only thereof, and the trustees' discretion was further limited by the requirement that only ordinary shares or stock quoted on the stock exchanges of London, New York, Montreal, Toronto, Melbourne or Johannesburg should be eligible for investment. The learned judge did not place any time limit upon the operation of his order.

The report of *Re Payne's Settlement* does not indicate whether Cross, J., limited the trustees' powers by reference to the paid-up capital of companies in the shares of which they might invest, but he, too, declined to make an interim order, expressing the views that a sudden change in the trustees' powers of investment at an arbitrary moment was unsatisfactory. In limiting investment by reference to the quotation of shares on a stock exchange, his lordship approved a list which differed considerably from that

approved by Buckley, J., the stock exchanges listed in the order being those of London, Manchester, Glasgow, New York, Montreal, Amsterdam, Zürich and Johannesburg.

Roxburgh, J., in *Re Tyndale's Will Trusts*, said that he proposed to continue his policy of making interim orders to operate until new legislation came into effect; he had on numerous occasions invited persons dissatisfied with this procedure to go to the Court of Appeal, but they had not done so. The case is not further reported.

Re Kelly's Will Trusts was heard by Russell, J., on January 12th, and his lordship sanctioned investment in the stock and shares of companies quoted on the stock exchanges of London, New York, Montreal, Melbourne or Johannesburg, this being the list approved by Vaisey, J., in *Re Byng's Will Trusts* ([1959], 2 All E.R., 47n, 54). Russell, J., also followed that case in restricting investment to companies with a paid-up capital of £500,000 – substituting this figure for £50,000, the figure which appeared in the application – but placing no limit on the amount of the trust fund which might be invested in equities. Nor did his lordship place any time limit upon the operation of his order.

Re Lacy's Settlement Trusts (*The Times*, January 16th) was, as Buckley, J., said, a special case in that during the life of the settlor, one of the original trustees, there was an unlimited power of investment; during the life of the present life-tenant investments could not be sold without his consent; and the existing fund consisted, except for one holding of preference shares, of ordinary shares and stock which had been properly retained. His lordship authorized the trustees, so long as a trust corporation at present acting remained a trustee, to invest the trust fund in any investments which at the date of purchase were, or upon allotment would be, dealt in or quoted on any recognized stock exchange in the United Kingdom, or the New York, Montreal, Paris, Amsterdam, Zürich or Johannesburg stock exchanges, including the over-the-counter markets in New York and Montreal. His lordship said that for the trustees to have power to reinvest only in trustee securities would have the effect of producing inadvisable stagnation.

Service of Notice on Company Tenants

AS the majority of business tenants are companies, attention should be drawn to the important decision recently given in *Stylo Shoes Ltd v. Prices Tailors Ltd* ([1959] 3 All E.R. 901). Notices of termination of business tenancies must be in writing, but alternative methods of service may be adopted. These methods are prescribed by Section 23 (1) of the Landlord and Tenant Act, 1927, the provisions of which are applied by Section 66 (4) of the Landlord and Tenant Act, 1954. Apart from the special method of service on local authorities and statutory undertakings, service may be effected in one or

other of the following ways, viz. by personal service; by leaving the notice at the last known place of abode of the tenant, which in the case of a company would be its last known registered office; and, lastly, by sending it by registered post, addressed to such last known place of abode.

The above decision, however, is to the effect that such methods of service are permissive, and not exhaustive. A notice, therefore, may be effectively served by addressing it by registered post to a previous registered office of a company tenant, notwithstanding that the landlords have been duly informed of the company's change of address, so long as the notice reaches the hands of the company.

There would appear, however, to be a serious risk by failing to observe the specific requirements of the section. It is to be observed that the minimum length of the notice of termination is six months; and should receipt of the notice be delayed, where an 'unorthodox' form of service is adopted, such as sending it by ordinary post, for instance, with the result that the interval of time between receipt of the notice and the date of its expiry is reduced to less than six months, the service, it appears, would not be effective. The tenancy accordingly would not be regarded as having been terminated and would continue until it was properly determined by a fresh notice, duly served.

This is My Life . . .

by An Industrious Accountant

CHAPTER 9

I MET two young chartered accountants this week, at critical stages in their careers. Their stories point a moral somewhere.

Mr A. B. Sea joined a family business as assistant accountant some three years after qualifying, to help their ageing secretary with expert assistance and worked hard to improve their old-fashioned system. At an early stage, he drafted an elaborate new costing system with meticulously-planned control points, based on a numerical formula. Thus, repairs to plant, unit 7, sub-unit 23, labour cost (craftsmen), 1959, became Exp. 933/07/023/108/59. The first draft was readily approved, but sub-codes multiplied rapidly and amending journal items increased proportionately. Two keen young clerks, very junior, did the basic coding, and because of its intricacy, tended to report direct to Mr Sea. The financial clerks, old employees of the firm, were left with the old general headings without much detail.

At first, the secretary kept in touch. Then he found it a strain to interpret and initial monthly pages of such items as:

"Transfer of 43% of reversal of December 31st accrual from Exp. 164/13/108/602/59 to SL/14-006/8. Reference stores overheads reallocation from sundry expenses."

So he gave up the struggle. After all, he was nearing retirement and adverse to unnecessary exertion.

Soon, Mr Sea was the only one who could interpret the accounts to the board or forecast next year's net revenue. His influence grew rapidly. Now he has charge of all the accounts section, and reports direct to the chairman. He is freely tipped as a certainty

for the next vacancy on the board, and looks like a cat who has been at the cream.

* * * *

Mr X. Y. Zedd also joined a family firm as assistant accountant, shortly after qualifying. The secretary was elderly, with a reputation enhanced to the uninitiated by a string of unknown qualifications, including at least two F.s after his name. There was also a cadet of a lesser family branch, who had only just failed his B.Com., who helped in the office.

Mr Zedd threw himself energetically on the arrears of work and the Dickensian system of high chairs and spiky files. He modernized and simplified the procedure and carefully trained the staff into efficiency and responsibility. Always he kept the secretary and the cadet in the picture, and they paid tribute to his ability and integrity.

So the board gave him a roving commission, whose terms of reference were crystallized in the one word: 'Improvement'.

A staff training and recruitment scheme, a pension plan and a capital reconstruction, were followed by a series of reports on a revised plant layout, a public relations programme and a new sales technique. All were of good quality, he had the ear of the board and he was freely tipped as in line for the next directorship.

So he was summarily sacked . . .

. . . because they had picked his brains; because they could save his salary and the secretary and the cadet were confident that they could carry on his system with the able staff he had provided; because the managing director resented the implied aspersion on himself in these reports, since they criticized the present arrangements, and he would 'bear, like the Turk, no brother near the throne', though he is now implementing most of the recommendations.

Mr Zedd looks like a cat who's been left out in the rain.

(Maybe the Institute could include a course of elementary psychology in the syllabus for Final students?)

Finance and Commerce

Excelsior Quarterlies

THE directors of The Excelsior Motor Co Ltd have decided to keep shareholders informed more frequently about the course of the business. 'In view of the very serious loss in the last year', says Mr G. E. Walker, chairman and joint managing director, 'I feel shareholders should be furnished with a very clear picture of the company's progress in future. I propose issuing quarterly unaudited statements of profit and loss figures from this date onwards and these will normally be released to the Press within twenty-eight days of the end of each period.' This means the issue of statements in November, February and May.

The decision follows an unfortunate year for which the accounts showed an overall loss of £88,812, including a taxation charge of £179 and a non-recurring loss of £44,583 on an unprofitable contract.

Figures for the first quarter of the current year show a turn for the better, even though the quarter included a two weeks' break in manufacture due to the August factory holiday.

It is a very natural feeling when difficulties and losses are being encountered to hope for a turn for the better before the next reporting date comes round and a decision to report quarterly is probably not an easy one. But it is undoubtedly the right one.

Those Against

THE directors of S. & W. Berisford Ltd have had more frequent reporting under consideration and have decided against it. 'Over recent years', says Mr R. Berisford, the chairman, 'we have on several occasions wondered whether it would be in the best interests of our shareholders to accompany the declaration of the interim dividend with some indication of the current trend of profits.'

Past experience has, however, shown that such information would almost invariably be misleading as a pointer to the outcome of the whole year's trading. For this reason your directors felt that it is inadvisable to supplement this year's declaration of the interim dividend with a statement of the outcome of the half-year's trading, despite the comparatively unfavourable picture that emerged.'

What the picture looked like in the accounts that this statement accompanied can be seen in this week's reprint. It was the year in which this old-established grocery business (it is the largest sugar distributor in the country) took over an even older business, Joseph Travers (probably the oldest house trading uninterrupted in the City of London).

Travers came into the group in March. 'Unfortunately,' says the chairman, 'the initial period of Travers' membership of the group has proved a liability rather than an asset.'

Seasonal Influence

It is rather unfortunate, too, from the reporting angle. As will be seen from the reprint, 'Net profit on trading' includes Travers' results for eight months to the accounting date but even so is only £326,158 against Berisford's £571,789 for the previous year. This presumably needs to be read in conjunction with the chairman's statement that 'owing to the seasonal nature of Travers' business which benefits principally in the October-December quarter, the result of the six months April-September which are included in our figures, show a trading loss'. Next year, he says, with a full year's trading by Travers to be brought in, 'we anticipate that they will be making a worthy contribution to our profit figures'.

One cannot help looking back to the earlier statement in reference to the indication of the current trend of profits with the interim dividend and the very proper desire to avoid presenting information misleading to shareholders.

But while one would not suggest that the year's accounts are misleading, they do involve queries which might have been avoided. What, for instance, was the Travers' loss that has been brought into the profit and loss account and blurred the view of the Berisford results for the year? What would a full year's figure for Travers look like? And is it possible to get any closer to prospects for the current year than 'worthy contribution'?

Fifty Years

This is Berisford's fiftieth year as a limited company and the occasion has been marked by an interesting history of the business going back for one hundred years. It records how the brothers Berisford - Samuel and William - ran a shop in Macclesfield for eighteen years without taking stock. Working fourteen to eighteen hours a day, and up to midnight on Saturdays, they probably had little inclination for stocktaking when the shop door shut for the day. In any case, they lived with the business. Nowadays, it is vastly different: the Inland Revenue sees to that.

And there is that body of shareholders, out of sight but very real, to whom report must be made whether the news is good or bad. It should be clear reporting and, according to the current trend of public opinion, should be something better than once a year. If there is a seasonal trend, it will soon become recognized and allowed for.

Six months' figures are admittedly not necessarily a 'pointer to the outcome of the whole year's trading', but they can indicate trend: comparing first half this year against last year and the year before.

Next Week's Reprint

The accounts of Phillips Furnishing Stores Ltd will provide the subject of next week's reprint.

S & W Berisford Limited**Notes on the Accounts**

	£ Parent Company	£ Group
1 Share Premium Account		
Premium of 7s 6d per share arising on Rights issue of 1,750,000 Ordinary Shares of 5s each at 12s 6d	656,250	656,250
Premium of 10s per share arising from issue to Travers ordinary stockholders of 1,440,000 Ordinary Shares of 5s each at market value of 15s	720,000	720,000
Less Expenses of Issues	1,376,250	1,376,250
Balance at 30th September 1959	43,656	43,656
	1,332,594	1,332,594
2 General Reserve		
Balance at 30th September 1958	756,481	772,973
Less Amount Capitalised 9th October 1958	202,500	202,500
	553,981	570,473
Less Amounts written off Investments in Subsidiary Companies, being excess of cost of shares over the book value of net assets at the effective dates of acquisition	9,608	9,608
Balance at 30th September 1959	544,373	560,865
3 Development Account		
Balance at 30th September 1958	75,000	75,000
Less Amount transferred towards special Advertising and Development expenditure during the year	75,000	75,000
Balance at 30th September 1959	Nil	Nil
4 Capital Reserve Account		
Balance at 30th September 1958		35,375
Add Excess of book value of net assets of Joseph Travers & Sons Limited over the cost of shares acquired at the effective date of acquisition		55,385
Capital profit arising on the purchase by Joseph Travers & Sons Limited of £1,000 4% Mortgage Debentures		377
Profits arising on sales of leasehold properties		4,781
Balance at 30th September 1959		95,918
5 Capital Commitments		
Outstanding commitments not provided for at 30th September 1959	Nil	£40,000 (1958 - Nil)
6 The Accounts of the overseas branches of a Subsidiary Company are made up to 31st August 1959, as the Directors are of the opinion that undue delay would result in the presentation of the Company's Accounts if their financial years were made co-terminous with that of the Parent Company. The Singapore dollar has been converted at 2s 4d		
7 There are contingent liabilities in respect of guarantees in connection with Bank Advances to Subsidiary Companies		

S & W BERISFORD LIMITED**Consolidated Profit and Loss Account for the year ended 30th September 1959**

(Incorporating the results of Joseph Travers & Sons Limited and its Subsidiary Companies for the eight months ended 30th September 1959).

	1959 £	1958 £
Net Profit on Trading (after transferring £75,000 (£80,000) from Development Account towards special Advertising and Development expenditure)	326,158	571,789
Add Dividends and Interest from Investments held by Debenture Trustees	1,328	—
Deduct	327,486	571,789
Interest on Debentures and Unsecured Loan Stock	11,670	—
Depreciation	59,121	46,272
Emoluments of Directors of S & W Berisford Limited: Salaries and Commissions paid by the Parent and Subsidiary Companies, and contributions to the Pension Scheme	51,272	60,314
	122,063	106,586
Add Amounts transferred from Pensions Reserve Accounts	205,423	465,203
	538	2,280
Deduct Estimated taxation on Profits of the year	205,961	467,483
Income Tax	56,212	164,548
Profits Tax	15,508	47,660
Overseas Tax	9,333	—
	81,053	212,208
Less Overprovided in previous years	18,036	1,941
	63,017	210,267
Consolidated Net Profit for the year	142,944	257,216
Deduct Interests of Minority Shareholders in profits of Subsidiary Companies	349	—
	142,595	257,216
Add Net Loss of Joseph Travers & Sons Limited and Subsidiary Companies incurred prior to date of acquisition	8,532	—
Loss (Profit) retained in Accounts of Subsidiary Companies	4,180	36,436
	12,712	36,436
Net Profit for the year dealt with in the Accounts of S & W Berisford Limited	155,307	220,780
Add Amount brought forward at 30th September 1958	67,245	68,927
	222,552	289,707
Deduct		
Transfer to Development Account	—	75,000
Transfer to General Reserve	—	50,000
Interim Dividends paid (net)	68,815	37,087
Final Dividends Recommended (net)	1,378	1,294
3% on 6% Preference Shares	919	862
2% on 4% Preference Shares	110,862	58,219
10% on Ordinary Shares	181,974	222,462
Unappropriated Profit carried forward at 30th September 1959	£40,578	£67,245

January, 30th 1960

Consolidated Balance Sheet as at 30th September 1959

	1958	1959	
Fixed Assets			
Freehold and Leasehold Land and Buildings (at cost)	£ 639,732	£ 639,653	
Less Amounts written off	28,953	99,177	540,476
	339,732		
Plant, Machinery, Motor-cars, Fixtures and Fittings (at cost)	332,995	534,574	
Less Amounts written off	131,755	250,275	284,299
	201,240		
Goodwill and excess of Cost of Shares in Subsidiary Companies over the book values of Net Assets at the effective dates of acquisition	211,552	221,160	
Less Amounts written off	211,552	221,160	—
	—		
Total Fixed Assets	512,019	824,775	
Trade Investments			
Shares (quoted on a Commonwealth Stock Exchange) at cost, less amounts written off (Market Value, £25,740)	—	2,350	
Shares (not quoted) at cost, less amounts written off	—	156	2,506
	—		
Investments held by and charged to the Debenture Trustees at cost, less amounts written off (Market Value, £38,676)	—	36,100	
Current Assets			
Stocks at cost or market value whichever is the lower	3,241,546	5,670,724	
Sundry Debtors and Prepayments, less Provision for Doubtful Debts	3,520,565	4,812,900	
Cash at Bank and in Hand	1,202,533	1,760,986	12,244,610
	7,964,644		
R. Berisford E. E. Percival <i>Directors</i>			

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**R. Berisford
E. E. Percival
Directors**

CITY NOTES

THE stock-markets have recovered their aplomb after a shake-out that put the market on a sounder and more commercial basis. Attention directed to the recently high level of equity prices shook out some speculative and nervous money and the consequent fall attracted fresh support.

The culmination of the setback was in the increase in Bank rate from 4 to 5 per cent - a move which the Treasury insisted was aimed at damping down consumer demand but which, it is held in the City, was largely a part of the international interest rate battle. Rates in America and on the continent have risen to a point that has resulted in pressure on sterling and on the reserves.

What the Bank rate move may signify is a greater readiness on the part of the authorities to make more frequent marginal adjustments in the economy and to break with the former policy of letting matters become almost out of hand before taking drastic and sometimes exaggerated action. The Chancellor has emphasized that the economic base is still sound and that the Bank rate move is a marginal one. On that assumption buyers have returned to an industrial equity market in which unit trust buying is once again a particular factor. The new Falcon Trust is now using some £7 million of money in the equity section.

Even the new low levels brought about by the Bank rate rise have failed to attract money in any volume to the gilt-edged market. Prices failed to sustain a minor rally staged immediately after the Bank rate setback. Investment money not employed in equities is being used in deposits in varying forms for complete capital safety rather than in Government stocks, despite the attractions of current redemption and running yields.

RATES AND PRICES

Closing prices, Wednesday, January 27th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Nov. 20	£3 7s 11·96d%	Dec. 24	£3 13s 8·82d%
Nov. 27	£3 7s 11·95d%	Jan. 1	£3 14s 6·24d%
Dec. 4	£3 10s 7·23d%	Jan. 8	£3 14s 11·06d%
Dec. 11	£3 11s 6·91d%	Jan. 15	£3 15s 7·79d%
Dec. 18	£3 12s 10·50d%	Jan. 22	£4 11s 1·19d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-1½	Frankfurt	11·68½-3
Montreal	2·66½-1½	Milan	1740½-1½
Amsterdam	10·56½-57	Oslo	20·02½-1½
Brussels	139·72½-73½	Paris	13·75½-8
Copenhagen	19·34½-8	Zürich	12·12½-13½

Gilt-edged

Consols 2½%	48½xd	Funding 4% 60-90	92½
Consols 4%	71xd	Savings 2½% 64-67	84½
War Loan 3½%	63½	Savings 3% 55-65	91½xd
Conversion 3½%	63½	Savings 3% 60-70	80½xd
Conversion 3½% 1969	86½xd	Savings 3% 65-75	74½xd
Exchequer 5½% 1966	104½	Treasury 2½%	47½
Funding 3% 66-68	83½xd	Treasury 3½% 77-80	77½
Funding 3% 59-69	83½	Treasury 3½% 79-81	76xd
Funding 3½% 99-04	70	Victory 4%	94½xd

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Redemption of Redeemable Preference Shares

SIR, - With reference to Mr P. A. Towsey's article on redeemable preference shares (January 9th issue) and the subsequent correspondence thereon, I agree with Mr Towsey's interpretation.

It would seem to me that Mr Mistry's interpretation (January 23rd issue), which follows that of some of the textbooks, is artificial and confuses a source of fund with its proceeds.

Section 56 of the Companies Act does not deal with the 'proceeds' resulting from a premium on the issue of shares, but rather with the source of the fund. The object, presumably, is to prevent the credit balance on share premium account being used as a justification for the payment of a dividend; nevertheless the 'proceeds' of the premium might well be so used, provided there were sufficient available revenue reserves.

The word 'proceeds' is said to mean the 'produce' or 'outcome'; surely then, the proceeds of an issue of shares is the 'produce' or receipts from that issue.

If Section 58 had so required, it would have been a comparatively simple matter to make it clear that its use of the word 'proceeds' excluded those arising from a share premium.

To take a simple example, assume that the capital position of a company is:

Ordinary shares of £1 1,000
Redeemable preference of £1 each .. . 1,000

If the company now issues 500 ordinary shares of

£1 each at a premium of £1, the proceeds of the fresh issue of shares amount to £1,000. The position after redemption of the preference shares would then presumably be:

Ordinary shares	.. .. .	£1,500
Share premium account	.. .. .	£500

Thus the capital and capital reserves amount to £2,000 after redemption of the preference shares, which was the figure before redemption.

Section 56 now authorizes a transfer from share premium account against such items as preliminary expenses and so on and this – as it would in any case – will reduce the capital reserves by similarly reducing or eliminating certain notional assets which are not compulsorily reducible out of revenue.

It seems to me that a cash budget presentation usually provides the answer to the problem of how much must be transferred from revenue to capital redemption reserve fund, e.g.:

1,000 preference shares to be redeemed at a premium of 5s per share. The company issues 500 ordinary shares at £1 at a premium of 10s towards the purpose of redemption, the remaining amount required being taken from the company's present resources.

Cash Budget	£
Amount required to redeem	1,250
Proceeds of fresh issue	750
Amount from revenue reserves	500

the balance sheet after redemption will read:

New Ordinary shares	.. .. .	500
Capital redemption reserve fund	.. .. .	500

In conclusion may I say that in correspondence with the Editor of *British Tax Review*, in reference to an article by Mr Ralph Instone on share premiums and Section 56, Mr Instone agreed with Mr Towsey's interpretation of Section 58, which has always been mine and the one which I have taught.

Yours faithfully,

V. RONALD ANDERSON.

Conway, North Wales.

Property Maintenance Relief

SIR, – We refer to the article in the issue of *The Accountant* for August 15th, 1959, concerning the treatment of insurance monies in property maintenance claims. In connection with this article, the following extract from a letter we have recently received from an Inspector of Taxes, giving the view of the Inland Revenue, may be of interest:

'It is considered that the provisions of Section 332 (2) (a) apply only in respect of insurance recoveries where the whole capital asset has been demolished or destroyed. Normally repairs to part only of an asset do not therefore come within this provision. It is considered also that Section 332 (2) (b) Income Tax Act, 1952, relates only to expenditure of a capital nature, in view of the reference to Section 332 (3) and the granting of capital allowances.

'The premiums paid to the insurance company

are included as part of the cost of maintenance on the understanding that all insurance recoveries are brought into account when received apart from the recovery of the whole capital cost of the property on destruction or demolition.'

Yours faithfully,

Sheffield. MCBROOM, HAYWOOD & CO.

SIR, – After reading an article in a recent issue regarding property repair maintenance claims, I should welcome any remarks applicable to the case of an individual who had a greenhouse repaired. The damage was caused by a gale and the insurance company reimbursed my client for the cost of the repair.

In my letter to the Inspector I quoted *Birmingham Corporation v. Barnes* (14 A.T.C. 33; 19 T.C. 195) and Section 101 (3), Section 332 (2) and Section 332 (3) of the Income Tax Act, 1952.

I now present the paragraph from the Inspector's reply:

'I cannot agree that the insurance money should be left out of account. Section 101 (3) paragraph 1 states that no relief should be given in respect of expenditure not met by the owner. Section 332 relates to capital expenditure and the proviso in paragraph 2 of Section 101 (3) relates to capital expenditure allowable in maintenance claims, viz. expenditure on agricultural property as detailed in Section 101 (2). As this is not an agricultural estate the insurance received must be deducted from the allowable expenditure. For your information the decision in the case of *Birmingham Corporation v. Barnes* was superseded by Section 332 of the Income Tax Act, 1952.'

Yours faithfully,

PERPLEXED.

[With regard to the first of the above letters, the article referred to did not say that Section 332 (2) (a) had any wider application than to the circumstances set out in it. As to Section 332 (2) (b), in so far as it deals with Part X of the Income Tax Act, 1952, it is of course, dealing only with capital expenditure. But Section 101 (3) deals with 'maintenance, repairs, insurance and management' and the proviso to Section 101 (3) directs that Section 332 (2) shall apply in relation to Section 101 (3) as it applies to Section 332 (1). In other words, it is to apply to 'maintenance, repairs, insurance and management' as though that were capital expenditure.

The Inspector gives no authority for his contention that the allowance of insurance premiums is contingent on recoveries being brought into account; a contention which really begs the question.

With reference to the second letter, we cannot agree that the proviso to Section 101 (3) is confined to such part of the 'maintenance, repairs, insurance and management' in Section 101 (3) as constitutes capital expenditure. There is no warrant anywhere in the relevant provisions for such a restrictive construction.

It is true that Section 332 cuts down the principle established in *Birmingham Corporation v. Barnes*, in the way explained in our issue of August 15th last, but it certainly does not 'supersede' it. – Editor.]

FOR STUDENTS**TRANSMISSION OF SHARES — II****Position of Personal Representative**

IT will be appreciated that the mere fact that probate or letters of administration have been lodged with the company does not effect any transfer of the title to the shares. It simply means that persons have been established *vis-à-vis* the company, with whom the company can deal in respect of the shares, but nevertheless the shares remain in the name of the deceased shareholder and his estate remains liable for any amounts remaining unpaid on the shares. The executors or administrators are not themselves members of the company, and their rights will depend upon the provisions of the Companies Act, 1948, and of the company's articles of association.

By Section 76 of the Companies Act, 1948, personal representatives are given the right in their representative capacity to transfer the shares of the deceased shareholder. The section provides as follows:

'A transfer of the share or other interest of a deceased member of a company made by his personal representative shall, although the personal representative is not himself a member of the company, be as valid as if he had been such a member at the time of the execution of the instrument of transfer.'

Where the personal representatives, without being themselves registered as the holders of the shares, transfer them to a third party, the transfer will be executed by all of them in their representative capacities, and the provisions of the company's articles regarding registering the transfer and the power of the directors to refuse registration will apply. If the personal representatives transfer only part of the shares, then the balance certificate in respect of the part of the shares not transferred will be made out in the name of the deceased shareholder, the certificate being endorsed with particulars of the death and of the personal representatives, as already explained.

Where the transfer is to a residuary legatee or to the beneficiary of a specific legacy of the shares arising under a will, or to the person entitled to the shares as forming part of the estate of a person dying intestate, the transfer will be one for a 'nominal consideration' and will attract only 10s stamp duty. If the transfer is made in satisfaction of a pecuniary legacy, however (i.e. where the will provides for a sum of money, but the legatee accepts the shares in place thereof), a transfer will attract *ad valorem* duty based on the market value of the securities.

In the absence of a contrary provision in the articles of association, personal representatives who have not taken the shares into their own names, but who are simply noted in the deceased member's account as his personal representatives, are not entitled to receive notice of general meetings or to vote thereat (*Allen v. Gold Reefs of West Africa* ([1900] 1 Ch. 656)).

Articles frequently give them the right to receive notice of general meetings, as in Table A, which provides that:

'1. Notice of every general meeting shall be given to every person upon whom the ownership of a share devolves by reason of his being a legal personal repre-

sentative of a member where the member, but for his death, would be entitled to receive notice of the meeting (Article 134);

'2. A notice may be given to personal representatives by sending it through the post in a pre-paid letter addressed to them by name, or by the title of representatives of the deceased, at the address, if any, within the United Kingdom supplied by them for the purpose, or until such an address has been supplied, by giving the notice in any manner in which the same might have been given if the death had not occurred.'

Section 158 of the Companies Act, 1948, requires a copy of every balance sheet, including every document required to be annexed thereto, which is to be laid before a company in general meeting, together with the auditors' report, to be sent, *inter alia*, to all persons other than members or holders of debentures of the company, being persons who are entitled to receive notice of general meetings. Consequently, where by the articles personal representatives who are not registered as the holders of the shares are nevertheless entitled to receive notice of general meetings, they will also be entitled to receive copies of the company's accounts.

As regards dividends, warrants payable to the personal representative of a deceased shareholder may be made payable to 'A.B. the executor (or administrator) of C.D. deceased'. Where there are several representatives, the warrant should be made payable to all of them in the absence of instructions to the contrary.

Where the shareholder has died before cashing a dividend warrant, the personal representatives, when lodging probate or letters of administration, should return the warrant for endorsement as follows:

Probate of the Will (or Letters of Administration) registered at the Company's office.....19.....

For and on behalf of.....

Secretary.

The word 'deceased' will be entered after the name of the shareholder, and the names of the personal representatives will be added. The dividend lists will be altered and the warrant will then be returned to the personal representatives.

Registration as Shareholders

If the representatives so wish, however, they can, when by production of probate or letters of administration they have satisfied the company of their authority to deal with the shares of the deceased member, request the company to register the shares in their own names and without any reference to their representative capacity. The effect of acting upon such a request is that the company can then deal with the personal representatives in respect of the shares as if they were absolute owners of the shares, and their position *vis-à-vis* the company becomes exactly the same as that of any other shareholders.

The company is not entitled, however, to register the personal representatives as shareholders in this way without a 'distinct and intelligent request' by such representatives (*Buchan's case* (1879)). When making such a request the representatives are entitled to require the company to register their names in any desired order (*Re T. H. Saunders & Co* ([1908] 1 Ch. 415)). This will determine who is to be the 'senior' in the resulting joint holding for the purpose of voting, receiving notices, dividends, etc. Furthermore, in *Burns v. Siemens Bros* ([1919] 1 Ch. 225), it was held that personal representatives requesting registration of the shares in their own names could require the company to split the shareholding into several parts, registering their names in different orders for each part, so that each representative would be a senior holder in respect of one part of the holding. Each representative could then exercise voting rights in respect of part of the holding.

Such a 'request' by a personal representative is not a transfer of the shares and, consequently, cannot be refused by the directors under a clause in the articles which empowers them to refuse to register transfers of shares (*Benham Mills Spinning Co* ((1879) 11 Ch.D. 900)). This may be a matter of some importance where the shares are only partly paid since on registration the personal representatives become personally liable in respect of the shares in the same way as any other shareholder, and the estate of the deceased shareholder is released from liability. Where the estate is wealthy and the personal representatives are impecunious, this would prejudice the company's security regarding eventual payment for the shares. Consequently, articles of association should give the directors the same power in respect of 'letters of request' as are usually given in respect of the transfer of shares. Articles 30 and 31 of Table A provide as follows:

'1. Any person becoming entitled to a share in consequence of the death of a member may elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death.

'2. If a person so becoming entitled shall elect to be registered himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were a transfer signed by that member.

Letter of Request

The request of the personal representatives to be registered as the holders of the shares of the deceased shareholder is usually referred to as a 'Letter of request'.

The request will eventually come before the directors or transfer committee and will be dealt with in the same way as a transfer. If the request is granted, then the shares must be transferred into the names of the personal representatives in exactly the same way as, on a registration of a transfer of shares, the shares are transferred into the name or names of the transferee or transferees.

The form of the 'Letter of request' will be similar to the following:

To Blank Company Ltd,
Blank Street,
Blankville.

Re..... deceased

Probate No.....

We the undersigned being Administrators of the Estate
Executors of the Will

of the above-named deceased, hereby request you to register us as members of your company in respect of the.....Shares, numbered.....to.....inclusive now standing in the name of the said deceased, the certificate for which is endorsed.

Dated this.....day.....19.....
Name in full..... } usual signature
Address..... }

Name in full..... }
Address..... }

Name in full..... }
Address..... }

Such a letter of request is free from stamp duty unless it takes the form of an agreement between the company and the personal representative, when it must be stamped 6d. If the request included some such clause as:

'And we agree to hold such shares on the same terms and conditions as they were held by the deceased',

this would constitute an agreement liable to 6d stamp duty.

After the registration of the request by personal representatives, the inclusion in their account in the register of members of any reference to the representative capacity of executor or administrator would amount to the recording of a trust, and would be contrary to the provisions of Section 117 of the Companies Act, 1948, which provides that:

'No notice of any trust, expressed, implied or constructive, shall be entered on the register, or be receivable by the registrar in the case of companies registered in England.'

Where there are several executors, one of whom is entitled to the shares as a beneficiary under the will of the deceased, a letter of request cannot be used to effect registration in the sole name of the executor who is the beneficiary; a transfer by all the executors to the one who is the beneficiary is necessary. On the other hand, where there is a sole executor who is also entitled to the shares under the will of the deceased, then he can secure registration of the shares in his own name by letter of request, without the formality of a transfer. This is apparently the case also where the sole executor who is entitled to a pecuniary legacy under the will takes the shares in settlement thereof, even though a transfer of the shares in this case would have attracted *ad valorem* stamp duty.

(To be concluded.)

STUDENTS' DINNER IN LEEDS

The Leeds and District
Chartered Accountant Students' Association

The annual dinner of The Leeds and District Chartered Accountant Students' Association was held at *The Griffin Hotel*, Leeds, on January 22nd. The President of the Association, Mr M. B. Hewitt, M.A., F.C.A., was in the chair.

Proposing the toast of 'The Association', Mr T. B. Simpson, a Leeds solicitor, said it was difficult to exaggerate the importance of the accountant in the community today.

So many institutions and business organizations and the financial and taxation systems depended on the ability and integrity of the accountant who served them, he declared, adding 'I put both those characteristics of ability and integrity as objectives, for if you are going to be good you must achieve both of them, the one without the other is of no value'.

Rewards of the Profession

He was sure students would find accountancy a very rewarding profession – the material rewards were obvious. He was sure, too, that the more satisfying and deeper rewards were there also. He had heard, he said, that some accountants thought they worked too hard and got no fun out of the job. But any job which brought them into contact with their fellow men, their problems and difficulties, was bound to be interesting.

'You ought to be able to get a lot of fun out of it', he went on. Lawyers and doctors did not hesitate to admit they enjoyed their professions – they wrote books, films and plays about them.

Mr Simpson hoped they would make up their minds to enjoy life, but they would never be good accountants unless they went 'behind' the figures and really acquired a knowledge of the facts and people and things those figures represented. He was not suggesting that the technically correct preparation and presentation of the figures was not vitally important, that was a matter in which they took a very great pride. But the figures had to be of use to someone – either the shareholders or the management – and if the accountant was to help in interpreting the figures it was essential for him to know something of the facts behind them.

In his reply, the President, Mr Hewitt, referred to membership of the Association's committee, and said that it was felt that the representation was too much from the centre of Leeds. If others would only come forward they would be very welcome.

Proposing the toast of 'The Guests', Mr D. K. Runton, honorary secretary of the Association, said it appeared to him that there seemed to be too little pride in being an articled clerk. The source of a spirit of comradeship was the Students' Association, he declared, and more than anything else, that sprang from the non-accounting functions of the Society. 'When there is a sporting or social function I should like to see articled clerks drop their natural

reluctance to ask for time off, and principals to drop their natural reluctance to grant it,' he said amid laughter.

Referring to the Parker Committee, Mr Runton said that students might feel that the present Victorian system of articles as they knew them did not measure up to the needs of the space age. He thought this could be provided for very simply. The 1960 definition of the word 'clerk' was a pen-pusher. If the word 'student' could be substituted they would become 'articled students' which was what they were.

'Whatever this committee does hatch out', he added, 'one thing is sure, that it will be in the best interests of all of us.'

Making the first of the replies, the Deputy Lord Mayor, Councillor A. R. Bretherick, said no one appreciated the work of the accountant more than those in local government. Legislation was such that they had to rely on the expert, and, he added, 'I can appreciate that a little more than some, because I am not only in commerce, I am associated with the Corporation, and when there is something like six million pounds every year to deal with, we do appreciate the value of the accountant's advice.'

On behalf of the City of Leeds he wished the students every success on the road of accountancy. It was not an easy thing to get through 'that examination', he said, and he urged them to keep their spirits up. They would make friendships in the early stages which they would carry through life. Life was sweet because of the friendships they made.

Mr Arthur Hollis, a Leeds estate agent, also replied to the toast.

The Company

Among those present were:

Messrs H. M. C. Allen (*Manchester Chartered Accountant Students' Society*); W. M. Allen, B.A. (*Under-Secretary, The Institute of Chartered Accountants in England and Wales*); F. E. Biller (*H. M. Inspector of Taxes*); J. H. Broomhead, A.C.A. (*Dinner Secretary, Leeds and District Chartered Accountant Students' Association*); C. R. Dugard (*Nottingham Chartered Accountant Students' Society*); D. Hanks (*Students' Section, West Yorkshire District, The Association of Certified and Corporate Accountants*).

Miss Doreen Hanson (*Leeds Law Students' Society*); Mr J. Hawkins (*Leicestershire & Northamptonshire Chartered Accountant Students' Society*); The Rev. Canon C. B. Sampson (*Vicar of Leeds*); Messrs M. R. T. Sills (*Liverpool Chartered Accountant Students' Association*); H. L. Simpson, F.C.A. (*President, Leeds, Bradford and District Society of Chartered Accountants*); J. Simpson (*Manager, Midland Bank Ltd*); M. W. Smith, A.C.A. (*Birmingham Chartered Accountant Students' Society*); G. B. Snow (*The Chartered Accountant Students' Society of London*).

Messrs E. Duncan Taylor, F.C.A. (*Member of the Council, The Institute of Chartered Accountants in England and Wales*); J. E. Tuke (*Bradford and District Chartered Accountant Students' Society*); Victor Walton, F.C.A. (*Member of the Council, The Institute of Chartered Accountants in England and Wales*); J. R. Wilkins (*Preston & District Chartered Accountant Students' Society*).

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Correction to the report of the meeting of the Council on January 6th, 1960

The Secretary of the Institute of Chartered Accountants very much regrets that, as a result of an error, the name of Mr Carl Millington, F.C.A., Birmingham, was inadvertently included in the list of deceased members published in *The Accountant* of January 16th, 1960 (page 79).

PROFESSIONAL NOTICES

MESSRS E. O. MOSLEY & Co. Chartered Accountants, of 16 Bolton Street, Bury and at Ramsbottom, announce that MR SAMUEL EDWARD, A.C.A., and MR CYRIL BUTTERWORTH, A.C.A., have been admitted as partners of the firm as from January 1st, 1960. The name of the firm will remain unchanged.

Appointments

Mr A. F. Emmel, F.C.A., has been appointed a director of Bovis Holdings Ltd.

Mr J. K. Macrae, B.A., F.C.A., has been appointed a director of Westminster Trust Ltd.

Mr F. M. Stephens, T.D., F.C.A., has been appointed to the committee of the Leeds Stock Exchange.

Mr D. R. N. Clarke, F.C.A., has been elected a deputy chairman of the British-American Tobacco Co Ltd, and Mr C. D. Hellyar, F.C.A., has been appointed a director of the company.

Mr A. E. Sage, B.Sc.(ECON.), A.C.A., has been appointed secretary of Currys Ltd.

Mr R. W. F. Rice, A.C.A., has been appointed secretary of W. Wood & Son Ltd.

Mr J. H. Johnston, C.A., has been appointed a director of Glasgow Chamber of Commerce.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Forthcoming Events

The Rt. Hon. Viscount Simon, C.M.G., Chairman of the Port of London Authority, will be the guest speaker at a luncheon for members of The London and District Society of Chartered Accountants at the Connaught Rooms, Great Queen Street, London, WC2, on Monday, February 15th.

Dinner and Dance

The annual dinner and dance of the Society is to be held on Wednesday, March 23th, at *Grosvenor House*, Park Lane. Arrangements are being made for the attendance of 1,000 members and guests.

Taxation Conference

A residential taxation conference is to be held at *The Grand Hotel*, Eastbourne, from the evening of Thursday, March 17th, until midday on March 19th. Accommodation is limited and members wishing to register should apply to the Secretary of the Society without delay.

Applications to attend the other functions mentioned above should also be sent to the Secretary as soon as possible.

TAX RESERVE CERTIFICATES

Interest Rate Increased

The Treasury have announced that as from January 27th, 1960, until further notice, Tax Reserve Certificates of the Eighth Series issued under the terms of the prospectus dated January 6th, 1959, will bear interest at the rate of 2½ per cent per annum free of tax.

The rate of interest on certificates of the Eighth Series subscribed before January 27th, 1960, remains unchanged.

E.F.T.A. BOOKLET

A brief historical background leading up to the signing of the Outer Seven Convention, and a commentary on the terms of the convention itself, has been published in booklet form by the Federation of British Industries under the title *European Free Trade Association*.

The booklet contains nine chapters and among the subjects dealt with are the nature and institutions of E.F.T.A., import duties, definition of origin and deflection of trade, and a section on the escape clauses of the convention which are aimed at safeguarding members of the Outer Seven in the event of any deteriorations in their balance of payments. Appendices give the basic materials list, details of the special provision in the convention for Portugal and a series of charts setting out economic data on each of the member countries.

Copies of the booklet are available from the Federation of British Industries, 21 Tothill Street, London, SW1; price 7s 6d post free.

TAXATION IN WESTERN EUROPE

The Federation of British Industries recently published a third edition of its booklet, *Taxation in the Proposed European Free Trade Area* under a new title, *Taxation in Western Europe: A Guide to Industrialists*.

The change of title has been made as a result of the suspension of negotiations for the larger free trade area and the fact that the common market and the free trade area of the outer seven have come into being. The text has been brought up to date as at July 1st, 1959, and whilst the booklet is intended to provide only a summary account of the subject it is none the less a simple yet useful work of reference.

Copies of the booklet are obtainable from the Federation's offices, 21 Tothill Street, London, SW1; price 20s post free.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting of The Accountants' Christian Fellowship for Bible reading and prayer will be held at 6 p.m. on Monday, February 1st, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Romans, chapter 13, verses 7 to 10 (love the fulfilment of the law).

PRIZES FOR CHARTERED ACCOUNTANT STUDENTS

It is pleasing to record the establishment of two new prizes to be awarded to chartered accountant students on the results of the English Institute's examinations. The Liverpool Society of Chartered Accountants have founded the Intermediate Prize, which will be made for the first time in respect of the November 1959 examinations, and the Nottingham Society of Chartered Accountants have announced the establishment of the Howitt Prize Fund – generously endowed by Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A. – the first award from which is to be made after the May 1960 examinations.

Intermediate Prize

The Intermediate Prize will be awarded to the candidate being a member of the Liverpool Chartered Accountant Students' Association, or any one of its constituent branches, who gains the highest place in each Intermediate examination. The prize to be presented in respect of the November 1959 examinations will take the form of a book to be chosen by the President, for the time being, of the Society.

It is the responsibility of the student to apply for the prize within two calendar months from the date of the announcement of the results of the examination and applications, indicating the position gained, should be sent to the Hon. Secretary of the Intermediate Prize Committee, Mr F. W. Frodsham, A.C.A., The Chartered Accountants' Library, 5 Fenwick Street, Liverpool, 2.

The Howitt Prize

Sir Harold Howitt was articulated in Nottingham and to mark his association with the city he has established a trust fund consisting of £1,500 3½ per cent War Loan, the income from which is to be used for the award of prizes to successful Final examination candidates chosen by the committee of The Nottingham Society of Chartered Accountants. The award each time will not necessarily be made to the candidate gaining the highest examination marks, as merit rather than success will be considered. For the purpose of assessment, the committee will consider any recommendations from the students' society, the students' principals, or others. The first award will follow the May 1960 examinations.

THE DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

At a recent meeting of The Dublin Society of Chartered Accountants held at *The Royal Hibernian Hotel*, Dublin, Mr John Love, F.C.A., Chairman of the Society, presided and introduced the guest speaker, a distinguished member of the Irish Bar, who addressed members on 'The Industrial Development (Encouragement of External Investment) Act, 1958'.

The speaker traced the history of legislation affecting industrial development in Ireland since 1932, when a policy of intensive industrialization had been introduced. The underlying aim of governments since then had been to encourage the growth of industry with participation by foreign interests, but to prevent, as far as possible, the establishment of 'branch plants', i.e. industries which, while operating in the Republic, would be completely under foreign control and therefore likely to be arbitrarily closed down or reduced

in scale in order to suit the policy of the controlling interests.

While considerable success had been achieved by this policy, various methods of circumventing some of the provisions of the Control of Manufacturers' Acts, 1932 and 1937, had been evolved and amending legislation had had to be introduced. The speaker outlined the provisions of the 1958 Act and pointed out that several provisions of the Act were liable to give rise to considerable confusion owing to the difficulty of interpretation.

Industrial and Administrative Group

An evening meeting of the Industrial and Administrative Group of the Dublin Society was held on January 6th, at *The Royal Hibernian Hotel*, Dublin. Mr E. J. Carroll, F.C.A., Chairman of the Group, presided and introduced the guest speaker, Mr Harold F. Lock, Personnel Adviser to the Rank Organisation, who gave a most interesting and informative talk on 'Staff selection, assessment and supervision techniques'.

Mr Lock introduced his subject by stating that personnel selection is largely a problem of applying mature judgment to adequate evidence. This was not to say that there is no place for the hunch or secret criteria method used by many an employer in assessing the possibilities of the prospective employee, but that judgment should nevertheless be based so far as possible on the available evidence. This applies in selecting either a member of the management team or a junior clerk.

The interview is generally the most important step in selecting the person to fill the vacancy under consideration. It is desirable to obtain most of the factual evidence on the application form, upon which the interview will be based. Questions at the interview should be framed with the purpose of drawing out the candidate so that he may provide evidence of his general attitude. This may be of considerable value in determining whether he is a suitable person for the post, as behaviour is largely conditioned by attitude.

The paper was followed by many questions from the large attendance, and the Chairman concluded the meeting by proposing a hearty vote of thanks to the speaker.

SOUTH WEST LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, on Monday next, February 1st, at 6.45 p.m., when the discussion on the 'Revision of the Companies Act' will be continued.

**THE INSTITUTE OF INTERNAL AUDITORS
London Chapter**

At the meeting of the London Chapter of The Institute of Internal Auditors to be held next Wednesday, February 3rd, Mr J. R. Robinson, controller of The Rio Tinto Co Ltd, will talk on 'Some aspects of controllership'. Mr Robinson is the Founder President of the Chapter.

Inquiries about membership of the Chapter should be addressed to the secretary, Mr E. N. Judge, South Eastern Electricity Board, 10 Queen's Gardens, Hove, 3, Sussex.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Annual General Meeting

This year the annual general meeting will be held on Monday, April 25th, at the Chartered Insurance Hall. Any member wishing to move a resolution at the meeting must give the terms of the resolution in writing to the Secretary not later than April 4th, 1960. If a member wishes to nominate another member to serve on the committee he may do so by handing in the nomination, together with the nominee's consent to stand for election, in writing to the Secretary, again not later than April 4th.

General Lectures

In the spring session, the Monday evening lectures will commence at 6 p.m. instead of 5.30 p.m. The Society realizes that many students find it impossible to leave the office in time to reach the Institute by 5.30 p.m. and hopes that the new arrangement will be appreciated.

Holidays Abroad

As may be seen in the half-yearly programme, Mr D. R. Waters is helping to organize, through an agency, a number of parties for holidays abroad. Under this scheme a group of our students spent the first fortnight in January at Lech in Austria. Another trip is being arranged, this time to Oberurg from March 12th to 25th, and anyone interested in joining the party can obtain full details from Mr Waters whose home telephone number is Cunningham 3848.

Social Activities

Following last year's spring residential course, the 59 Club was begun so that the newly articled clerks who attended that course and anyone else who was interested, could meet at certain times informally and socially. The 59 Club has been very successful, and those who were at the senior residential course in September have formed 'The Taverners'. They meet on the first Thursday in each month at 6.30 p.m. in *The Black Horse* in Barbican, and for social occasions during the month. A Christmas party was held, and they hope to have a Valentine's party on February 17th. Any student who would like to drop in at any of the meetings would be most welcome.

Library

We are pleased to report that the Glasgow library of the Scottish Institute has presented us with eight copies of Cutforth's *Methods of Amalgamation*. This book has been out of print for some time, but as it is on the coaches' lists, it is in wide demand. These volumes are therefore a valuable addition to our collection.

Sports

The festive season appears to have been too much for the sportsmen. The rugby team lost 12-9 to Bristol Students' Society, and the squash team lost 3-2 to University College Hospital.

Students' Hops

A number of requests have been received for the holding of cheap, informal dances from time to time.

The Dances subcommittee has considered this question for some time without being able to find a small central dance hall where the dance and refreshments can be arranged for under 10s a head. Any suggestions from members would be welcome.

Spring Residential Course

The Society has arranged a spring residential course at Corpus Christi College, Cambridge, from Thursday afternoon, April 7th, to Sunday morning, April 10th. The course is designed for articled clerks who have not yet sat for the Intermediate examination of the Institute and it will be modelled on the residential course held at Oxford last year which proved so stimulating and helpful to students.

Each lecture will be followed by discussion in groups, and then by a final meeting with the lecturer at the end of the day. The object of the course is not only to give a basic knowledge, but also to provide opportunities for the development of clear thinking and expression. The programme will be as follows:

Thursday afternoon: 'Auditing - the principal's view', by Mr John D. Russell, M.A., F.C.A., Chairman, London and District Society of Chartered Accountants.

Friday morning: 'How and why a business works', by Mr Maurice H. Peston, B.Sc.(ECON.), Assistant Lecturer in Economics, University of London.

Friday afternoon: 'The London capital market', by Mr A. H. Carnwath, managing director, Baring Bros & Co Ltd.

Saturday morning: 'Examinations and all that', by Mr D. V. House, F.C.A., Past President of the Institute.

Sunday morning: Service in College Chapel.

'European free trade areas', by Mr H. H. Liesner, M.A., Fellow of Emmanuel College, Lecturer in Economics in the University of Cambridge.

The fee, which covers transport to and from Cambridge, accommodation and all meals except dinner on Saturday, will be £5 10s payable on application. Accommodation is strictly limited and students interested in attending the course should write to the Secretary of the Society as soon as possible; the final date for the receipt of applications is February 29th.

Next Week's Meetings

The following meetings of the Society will be held during next week:

Monday, 6 p.m., at the Institute: Lecture on 'The market price of investments', by Mr R. S. Allen, B.A., Barrister-at-Law, senior statistician, J. & A. Scrimgeour & Co.

Tuesday, 5.30 p.m., at the Institute: Talk on 'Taking the chair and tactics in debate', by Miss H. M. Taylor, principal, Abbey School for Speakers.

Wednesday, 7 p.m., at Reading: Lecture on 'Profits tax', by Mr J. M. Higgison, F.C.A.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'The chartered accountant's profession', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'The fundamentals of business', by Mr R. J. Carter, B.COM., F.C.A., and 'The English judicial system', by Mr P. W. Medd, Barrister-at-Law.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of Examinations held in November 1959

FINAL EXAMINATION

Held on November 24th, 25th, 26th and 27th, 1959

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Advanced Accounting (Part II)
Fisk, Richard Keay (A. C. Judd), London.

Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting
Clark, Roger Jackson, (B. C. Cornes), London.

Third Certificate of Merit
Peterson, Michael Narramore (W. H. Thomas), Liverpool.

Fourth Certificate of Merit
Brown, Cyril Henry (Sir Thomas Robson), London.

Fifth Certificate of Merit
Worth, Brian Leslie (F. R. Coad), London.

Sixth Certificate of Merit and the Plender Prize for the paper on English Law (Part I)
Baker, Laurence (V. Sklar), London.

Sixth Certificate of Merit
Geering, Christopher William Redman (A. G. B. Gunn), London.

Eighth Certificate of Merit, the William Quilter Prize and the Plender Prizes for the papers on Taxation and Auditing
Hardman, John Philip (B. Entwistle), Bolton.

Ninth Certificate of Merit
Weller, Anthony Graham (F. G. Baker), London.

Tenth Certificate of Merit
Cooper, Richard James (W. H. B. Carey), London.

Tenth Certificate of Merit and the Plender Prize for the paper on English Law (Part II)
Webb, Anthony Clifford (B. Keohane), Newport, Mon.

Twelfth Certificate of Merit
Lewis, Arthur Raymond (M. D. Carr), London.

Full List of Names of Successful Candidates

(In alphabetical order)

Abernethie, J. A. (H. J. Jones), London.	Bailey, D. M. G. (G. D. Cucksey), London.
Ackerman, M. (M. Lytton), London.	Bainbridge, R. J. (M. H. Parkin), Sheffield.
Adams, G. J. (C. Geipel), Birmingham.	Baird, C. W. G. (T. R. T. Bucknill), London.
Allen, B. (H. E. W. Hinde), Darlington.	Bajaria, C. H. (A. Beckman), London.
Allen, N. C. (J. B. Watling), Bristol.	*Baker, L. (V. Sklar), London.
Allen, T. F. (H. W. Richards), Birmingham.	Baker, R. A. (Miss) (F. W. Lindgren), London.
Allsopp, R. M. (N. A. Wheatcroft), Sheffield.	Baldwin, D. H. (A. J. Heald), Brighton.
Allton, C. P. W. (T. D. C. Taft), Nottingham.	Ballard, P. C. (G. C. Peat), London.
Aman, A. J. (E. F. G. Whinney), London.	Barker, J. (J. Wilkie), Newcastle upon Tyne.
Andress, W. G. (A. J. Heald), Brighton.	Barnes, D. C. E. (J. B. Burkett), Bristol.
Ansell, D. T. (D. G. Tate), London.	Barnes, E. C. M. (H. V. Barham), London.
Anthony, A. (G. H. Brown), Middlesbrough.	Barratt, E. G. (K. J. Lunn), High Wycombe.
Appleyard, B. W. (J. E. Sharman), Bolton.	Barton, B. H. (C. C. H. Burnage), London.
Armstrong, A. V. (J. S. Armstrong), Newcastle upon Tyne.	Bastin, C. D. (R. N. D. Langdon), London.
Ascott, G. J. (G. F. Ansell), London.	Basu, R. N. (S), Calcutta.
Ashby, A. J. (W. A. Waller), Southend-on-Sea.	Bates, D. J. (R. E. Starkie), Leeds.
Ashworth, J. S. (S. P. Smith), Burnley.	Bateson, R. T. (B. J. Bridges), London.
Ashworth, S. H. (D. A. P. Gould), Norwich.	Batten, N. H. (K. G. Lyon), Liverpool.
Atherton, M. J. (A. C. Bright), Richmond, Surrey.	Baybut, L. J. (H. Goodier), London.
Atkinson, J. W. (H. R. Crouch), London.	Beardmore-Gray, J. D. I. (K. L. Young), London.
Austin, B. W. (E. H. Grant), Leicester.	Beeton, D. F. (C. M. Jackson), London.
Austin, E. D. (T. W. Pickard), Cardiff.	Bennett, D. C. (G. A. Clifford), Birmingham.
Bacon, C. P. (G. L. Mortimer), Darlington.	Berlyn, G. (L. Stockman), London.
Bagot, P. J. C. (E. W. Wells), Preston.	Berry, J. A. (H. E. D. Buxton), London.
	Berry, J. R. W. (P. W. Cooper), London.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Berry, M. F. (W. G. A. B. Gardner), Wolverhampton.
 Betesh, D. J. (I. M. Morris), Manchester.
 Bharoocha, M. H. (D. F. D. Cartwright), Brighton.
 Birch, C. C. (M. H. Marsh), Stoke-on-Trent.
 Bird, G. P. (J. S. Meyler), Brighton.
 Birkby, J. D. (K. G. Warriner), Leeds.
 Birnie, J. T. (R. E. W. Curtis), Cambridge.
 Blake, R. J. B. (D. E. Ryland), London.
 Bland, D. A. (B. Franklin), London.
 Blee, M. A. (W. R. C. Ogden), London.
 Blow, D. S. (J. B. Harrison), Grimsby.
 Blumenthal, L. (J. M. E. King), Manchester.
 Bolger, M. A. (H. E. Hann), London.
 Boldron, D. (J. S. A. Peffers), Newcastle upon Tyne.
 Bolland, J. H. (H. W. Richards), Birmingham.
 Bone, M. J. S. (J. L. E. Daly), London.
 Boreham, J. S. (N. C. R. Nash), London.
 Bowden, P. J. (A. T. Payne), Smeeth.
 Boxhall, R. C. (G. S. Beesly), London.
 Braid, M. J. (E. C. Sage), Rhyl.
 Bramley, B. D. (K. C. Cook), Liverpool.
 Branch, H. C. (H. E. Evans), Manchester.
 Breakell, R. M. (L. H. Clark), London.
 Brierley, K. J. (N. W. Peeling), Manchester.
 Brittain, R. A. (R. H. Green), Halesowen.
 Brock, C. L. (W. H. Green), Southampton.
 Brooks, B. J. (F. Adams), London.
 Brooks, R. S. (K. F. Steven), London.
 Broucher, C. (Miss) (E. T. Shephard), Cardiff.
 Brown, A. L. (R. C. Blows), Cambridge.
 *Brown, C. H. (Sir Thomas Robson), London.
 Brown, M. S. (E. Harrison), Dewsbury.
 Browne, A. (C. L. Arundale), Macclesfield.
 Bryant, M. J. (F. B. Massey), London.
 Bryant, P. D. (W. Y. Thomson), London.
 Buchan, K. B. (J. O. Elphick), London.
 Buckley, S. (R. L. Corson), Blackpool.
 Bunting, M. B. (R. F. George), London.
 Burch, P. J. (J. C. Yeates), London.
 Burke, C. P. (W. H. B. Carey), London.
 Burndred, G. W. (A. Bowen), Worcester.
 Butterworth, N. (L. H. Clark), London.
 Byrne, A. F. (W. W. Powell), Leeds.
- Cadman, P. H. B. (B. H. Larkins), Birmingham.
 Campbell, J. (M. H. Smith), London.
 Carmont, J. McL. (S. Whitehead), Preston.
 Carpenter, D. R. (K. S. Withers), Manchester.
 Carratu, A. D. J. (A. J. P. Smith), London.
 Carter, D. J. (M. H. Marsh), Stoke-on-Trent.
 Cashdan, B. B. (G. Finley), London.
 Cashmore, R. (K. J. Milligan), Birmingham.
 Chadwick, E. (T. B. Stutard), Burnley.
 Chalmers, C. J. (S. T. Maxwell), Preston.
 Chandaria, K. M. (P. A. Burnston), London.
 Chaney, E. A. (H. Birch), Manchester.
 Chappell, K. (P. W. Adams), Birmingham.
 Charin, J. N. (J. C. Yeates), London.
 Charlton, A. (J. H. Brown), Hexham.
 Chaudhury, A. K. (D. E. Church), London.
 Chaventré, R. C. (G. H. Cann), London.
 Cheetham, J. F. (D. J. Jones), Manchester.
 Chiappe, E. J. W. (A. C. H. King), London.
 Christophers, S. J. (M. E. P. Morgan), London.
 Clark, A. V. (Miss) (C. N. Starbuck), Birmingham.
 Clark, H. J. S. (J. C. Gardiner), London.
 *Clark, R. J. (B. C. Cornes), London.
 Clarke, E. A. (E. Hewitt), London.
 Clarke, J. G. (J. L. Guy), London.
 Cody, R. J. (A. J. Barsham), London.
 Collins, P. J. (H. Rivington), Leicester.
 Collinson, J. A. (R. O. McIlwrick), Manchester.
 Connett, E. A. (D. Armitage), Leeds.
 Cookson, A. (N. Isherwood), Blackburn.
 Coope, W. M. (C. R. Bellis), Bolton.
 *Cooper, R. J. (W. H. B. Carey), London.
 Cornelius, M. (C. B. Umney), London.
 Cottam, H. (J. A. Deed), London.
 Coupland, J. D. (T. C. Capey), Newcastle upon Tyne.
 Cousins, M. C. (W. A. Chardin), Chelmsford.
 Cox, G. M. (A. C. Shay), London.
 Coyle, B. M. E. (S. R. G. Andrew), Hastings.
 Cregeen, E. R. (C. Boase), Liverpool.
 Croft, A. (E. R. Funnell), London.
- Cronin, G. F. (J. T. Finnis), London.
 Cross, J. R. (W. R. Kingston), London.
 Crossley, A. S. (E. Green), Manchester.
 Cruickshank, J. A. (A. Appleby), London.
 Crumpton, N. D. (J. Cappleman), Hull.
 Cunnelly, C. E. (C. Yates), Manchester.
 Cutler, M. (F. N. Gollop), London.
- Dale, B. G. (D. A. Griffith), Preston.
 Dale, G. J. G. (R. C. Calvert), Leeds.
 Dallison, J. P. (P. A. Bridger), Birmingham.
 Daniel, C. J. (E. R. Nicholson), London.
 Darby, J. T. H. (D. Tanfield), Dudley.
 Dastur, J. E. (S), Bombay.
 Davey, I. H. (R. W. L. Clench), London.
 Davies, A. E. (K. Hayes), Birmingham.
 Davies, A. M. (M. R. Harris), London.
 Davies, H. A. (R. Phelps), Bristol.
 Davies, J. (F. L. Prussmann), Manchester.
 Davies, J. (A. W. L. Sleeman), Swansea.
 Davis, A. A. (H. M. Westcott), London.
 Dawkins, B. G. (L. V. Mills), London.
 Day, K. R. (L. A. Pollard), Bournemouth.
 Dennis, G. W. (K. L. Young), London.
 Dent, J. (J. H. Whyte), South Shields.
 Dermody, J. (S), Swansea.
 Dexter, D. A. (P. A. Storrey), Nottingham.
 Dick, E. H. (T. Jewitt), Stockton-on-Tees.
 Dickinson, R. G. (H. C. Jackson), Retford.
 Dibb, P. J. (F. Binns), Huddersfield.
 Dobbins, R. W. (W. J. Dobbins), Birkenhead.
 Donovan, M. K. (E. G. Clegg), Manchester.
 Dougherty, E. W. (M. G. D. Johnson), Sunderland.
 Dougill, H. T. (J. M. Galt), Darlington.
 Downs, M. J. (W. G. Dickinson), Doncaster.
 Drew, J. F. (C. D. Witton), London.
 Durrant, B. G. (R. A. Deaves), Hillingdon.
 Durrant, B. W. (G. M. Metcalf), Cardiff.
 Dye, M. D. (F. Williams), Liverpool.
- Eastwood, R. G. (H. R. Stredder), Birmingham.
 Eddleston, E. J. (Miss), (E. M. Haslam), Bolton.
 Eden, J. W. (A. Meeson), Richmond, Surrey.
 Edgerton, B. G. (L. H. Davies), London.
 Edmeades, T. (T. H. M. Baird), London.
 Egerton, H. R. (R. B. Dixon), Birmingham.
 Ellison, L. J. (J. R. Charlesworth), Manchester.
 Elwin, J. A. (R. A. Heys), Manchester.
 Emanuel, J. O. (W. H. Lawson), London.
 Emberson, H. A. (A. C. Falkner), London.
 Emsden, R. C. (S), London.
 Evans, A. J. (F. L. Felton), Birmingham.
 Evans, W. K. (J. W. Margetts), London.
 Eve, A. R. W. (J. B. Saint), Carlisle.
 Everett, C. J. H. (A. Cowdy), Portsmouth.
 Exton, B. E. (G. H. Gentle), Bedford.
- Farrell, F. T. (W. Broad), London.
 Fawcus, D. S. (B. M. Till), London.
 Fenton, F. R. (K. A. Jones), London.
 Ferguson, F. (W. S. Wicks), Liverpool.
 Fernando, R. F. M. (C. F. Bird), London.
 Firth, B. (A. H. Hamer), Hebden Bridge.
 Firth, J. M. (T. W. Dresser), Leeds.
 Fisher, N. (S. Trent), London.
 *Fisk, R. K. (A. C. Judd), London.
 Flatley, P. K. (S. J. Norman), Blackburn.
 Fort, R. B. (F. A. Walker), Birmingham.
 Fox, W. A. (W. J. Hayden), Norwich.
 Frankiss, C. C. (O. Furnival-Jones), London.
 Freeman, D. D. (N. Freeman), London.
 Freeman, S. (M. Garvin), London.
 Frost, S. (M. Berley), London.
 Fry, A. W. (R. Bentley), Southampton.
 Fry, J. G. (W. R. Jenkinson), Sheffield.
 Fuller, N. M. (W. L. Dominy), Cambridge.
- Gardham, P. R. (A. S. F. Oliver), Hull.
 Garner, J. M. (J. F. Hudson), London.
 Garrett, D. R. (P. F. Allday), London.
 Garvey, R. T. (H. J. Robinson), London.
 Gascoigne, A. A. (L. W. Underwood), Nottingham.
 Gee, M. J. (I. B. Paul), London.
 *Geering, C. W. R. (A. G. B. Gunn), London.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.*

Geh, C. H. (S. J. Cobb), Kingston upon Thames.
George, W. J. (P. H. Strobe), London.
Gerrard, M. D. (E. M. Kevehazi), London.
Gilmore, G. F. (I. B. Paul), London.
Glass, M. I. (D. G. Higgs), London.
Glatter, R. (E. M. Beecham), London.
Glennie, E. L. H. (J. J. Webber), Minehead.
Glover, J. S. (formerly with B. G. Davison, deceased),
Leamington Spa.
Goddard, J. W. (W. Earl), St Anne's on the Sea.
Gold, L. M. (C. Whitaker), Portsmouth.
Goldenfield, B. N. (J. Maxwell), Manchester.
Goldsmith, D. C. (N. B. Hayman), London.
Goldstein, B. (C. T. Baker), London.
Gooch, W. E. (A. S. H. Dicker), Gt. Yarmouth.
Gordon, D. M. (O. S. Francis), Reading.
Gordon, H. K. (F. S. Young), London.
Gordon, M. D. (C. F. Middleton), London.
Gradidge, J. D. G. (C. A. Prophet), Harpenden.
Granger, P. (H. T. Scotthorne), Nottingham.
Gratland, M. R. (G. G. Rollings), Neath.
Green, B. R. (R. M. Filer), London.
Greenacre, A. J. (A. G. B. Drabble), London.
Greenhalgh, H. (T. H. Parker), Manchester.
Grey, C. J. (J. H. Ross), London.
Guest, L. K. (C. Romer-Lee), London.
Guest, S. C. (C. J. C. Tildesley), Wolverhampton.
Gupta, P. B. (C. J. Hayward), Reading.
Gupta, S. K. (M. Sinclair), London.

Haddon, K. W. (J. E. Park), London.
Hailstone, B. C. (H. D. Radford), Birmingham.
Hainsworth, B. (B. Wood), Bradford.
Hall, S. H. (A. W. White), London.
Hamilton, J. E. H. (I. H. Howard), Bristol.
Hampson, M. (H. W. Southworth), Preston.
Hampton, N. J. (G. A. Raymond), Tunbridge Wells.
Hancock, M. B. (W. F. Page), King's Lynn.
*Hardman, J. P. (B. Entwisle), Bolton.
Hardy, D. J. (A. J. Atfield), London.
Harman, J. G. (H. A. Decker), London.
Harper, J. S. (W. F. C. Marwood), London.
Harris, E. R. D. (M. J. Kirby), Coventry.
Harrison, C. G. (J. R. P. Broadhouse), Birmingham.
Harrison, P. G. (W. D. Menzies), Kingston upon Thames.
Hart, D. H. (E. D. Adams), Bradford.
Hart, M. E. (A. C. Judd), London.
Hartley, D. (R. J. Churchill), Sunderland.
Hartley, S. L. (R. F. J. Partridge), Romford.
Hay, J. B. (H. S. Sanders), Brighton.
Hayes, J. E. (J. B. Harding), Leigh.
Heaney, F. (formerly with F. G. Jenkins, deceased), London.
Hearnden, R. M. (K. C. Pollock), Rochester.
Hector, W. G. (K. D. F. Guyton), Letchworth.
Hedley, W. W. (R. E. Wagstaff), Stevenage.
Hendry, J. S. (E. Mitchell), Halifax.
Herman, D. (W. F. Williams), Manchester.
Hershman, B. S. (S. L. Hirst), London.
Heslop, D. S. (V. W. Heslop), Darlington.
Hewitt, K. A. (K. A. Fossey), Leeds.
Hibbert, T. W. (G. A. Box), Blackpool.
Hicks, C. J. (G. M. Metcalf), Cardiff.
Hill, A. M. H. (G. A. Raymond), Tunbridge Wells.
Hill, M. (C. Snowden), Leeds.
Hindle, M. R. (D. R. Hindle), London.
Hindley, J. N. (N. Hindley), Preston.
Hodgkinson, P. (Miss) (J. W. Davies), London.
Hogg, B. P. (A. K. Robson), Newcastle upon Tyne.
Hoggett, A. (J. Maw), Sunderland.
Holden, L. W. (D. B. Nurdin), London.
Holdstock, T. (F. E. Corbin), London.
Holland, P. B. (E. W. Watts), London.
Hollidge, B. W. (H. L. Brown), London.
Hollingsworth, M. J. (A. C. Towers), Northampton.
Holloway, J. A. D. (R. G. Tilly), London.
Holtom, T. D. (C. B. Lea), London.
Honeyfield, R. J. (P. J. Madge), Southampton.
Hopkinson, A. M. (R. A. Douglas), Manchester.
Horsman, A. B. L. (C. J. Mason), Birmingham.
Horton, P. (A. R. Collinge), Bacup.
Hoskyns, G. H. (A. L. Barnett), Bristol.
Howard, S. L. (E. P. R. Ainsworth), Cheadle.
Howell, A. E. (D. D. Rae-Smith), London.
Howes, M. D. (F. R. Palmer), Chichester.

Howgate, R. D. (A. G. Smeeton), Sheffield.
Hudson, C. Q. (H. J. Barrett), Portsmouth.
Hughes, H. (H. Hockaday), Liverpool.
Hughes, J. A. (J. Richmond), Bangor.
Hughes, R. (P. Clarke), Bolton.
Hunt, N. J. F. (R. W. L. Eke), London.
Hunter, G. H. (T. W. Henshaw), Derby.
Hunziker, R. F. (L. Blackie), London.
Hurst, C. D. G. (E. P. Thornhill), Bristol.
Hurst, J. S. (H. W. C. Bartlett), London.

Ingleson, M. (S), Bradford.
Inskip, J. G. (D. Smith), London.
Irwin, G. (F. Swainston), Newcastle upon Tyne.
Isaac, J. V. S. (G. L. Eccleshall), London.
Isherwood, W. R. (R. J. W. Merchant), Bury.

Jack, D. B. (C. W. Blagg), Stafford.
Jackson, G. S. (J. H. Ross), London.
Jackson, J. G. (R. L. Corson), Blackpool.
Jacobs, G. M. (W. A. Byars), London.
Janes, R. (A. S. Watson), Southampton.
Jaye, B. (W. Holland), London.
Jefferies, A. R. (H. G. Jefferies), Langport.
Jenkins, D. H. (G. B. Watson), Oxford.
Jenkins, P. W. S. K. (H. W. Thomas), Swansea.
Jones, A. L. D. (H. B. Singer), Bridgend.
Jones, D. L. (R. G. Thomas), Swansea.
Jones, H. N. (H. L. Jones), Cardiff.
Jones, P. C. (M. H. Smith), London.
Jones, P. S. (R. N. Roberts), Liverpool.
Jordan, D. A. (F. J. Redfern), Derby.
Jordan, J. M. (Miss) (R. F. Inch), London.
Joslin, D. C. (W. J. Brereton), London.

Kay, M. A. S. (J. E. Scheerer), Leeds.
Kelly, L. R. (P. T. Bryant), Horsham.
Kendry, L. (S), Manchester.
Kennington, I. G. (R. Grimbale), London.
Kercher, P. F. (M. Perkins), Bristol.
Kershner, H. (J. Ross), Manchester.
Kind, T. B. (S. Parkinson), Leicester.
King, P. A. (Miss) (F. L. Houghton), Birmingham.
Kirkland, G. G. (G. S. Middleton), London.
Kirstein, I. M. (S. Harrison), London.
Knight, D. G. B. (formerly with E. T. Granger, deceased),
London.
Knight, R. G. T. (R. L. Owen), Bristol.
Knott, P. S. G. (L. C. Pegley), London.
Knowles, T. (J. C. M. Williams), Swansea.
Kon, S. (A. N. Fisher), London.
Kon, Y. K. (F. E. Hargreaves), London.

Ladeinde, A. A. (P. E. Bryan), London.
Laidler, J. (W. G. Miller), Newcastle upon Tyne.
Landau, M. R. (I. M. Cohen), London.
Lander, B. D. (T. W. Selbey), London.
Landsbert, T. C. (R. H. More), London.
Lavin, J. B. (S. T. Meadow), Wigan.
Leach, P. G. (J. G. Turner), Huddersfield.
Ledger, C. S. (N. Wooley), Manchester.
Leece, T. D. (W. Lodge), Liverpool.
Leech, J. C. B. (E. S. Walker), Birmingham.
Legge, I. A. T. (I. Legge), Liverpool.
Leman, M. S. (Miss) (B. H. Brewill), Nottingham.
Lemmon, K. S. (T. R. Maltby), Leeds.
Leonard, G. L. (D. J. Ginnings), London.
Levy, A. L. (H. G. Blank), London.
*Lewis, A. R. (M. D. Carr), London.
Lewis, D. (P. Shirley), Manchester.
Lewis, W. A. (W. B. Tatlow), Llandudno.
Lightfoot, G. (C. F. Savage), Warrington.
Lindop, A. C. (F. W. Carder), Stoke-on-Trent.
Line, R. G. (R. G. Davey), London.
Little, C. A. (F. W. Boyce), Bradford.
Llewellyn, D. A. (R. J. N. Fowler), Eastbourne.
Locke, E. S. (Miss) (S. J. G. Southon), Exmouth.
Long, J. M. (V. Matthews), Manchester.
Long, R. F. (B. Walker), Great Yarmouth.
Longcroft, P. M. S. (K. W. Bouch), London.
Lovell, T. R. (C. R. Pickup), Bacup.
Loud, D. C. (M. W. Burroughs), Bridport.
Lovatt, W. G. (R. Lawrence), Birmingham.
Luckhurst, S. T. (R. Hall), Grays.
Lund, B. (G. H. Thompson), London.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

McKinlay, R. D. (N. G. Willis), Liverpool.
McNulty, G. P. (J. D. French), Liverpool.
MacRae, A. H. MacL. (J. T. Cortett), London.
Madon, S. R. (T. W. Pickard), Ca. diff.
Major, P. J. (A. P. L. James), Chester.
Mama, N. Z. (J. R. Pullan), London.
Manning, D. B. (E. R. Nicholson), London.
Manterfield, R. D. (H. Bowker), Sheffield.
Margolis, G. E. (C. Wallington), London.
Marsden, B. A. (F. H. Taylor), Halifax.
Marriott, S. G. (J. Black), Chester-eld.
Marshall, J. D. (D. P. Briggs), Middlesbrough.
Martin, J. S. (A. J. Page), London.
Martin, J. W. (J. I. Harley), Barrow-in-Furness.
Martin, N. T. D. (T. Leake), Wigan.
Mason, C. R. (L. A. D. Winter), Ewro.
Mason, J. D. McC. (C. C. Bigg), London.
Masters, N. D. (S. Kiteman), London.
Maycock, F. (W. R. F. Symonds), London.
Mayhew, P. (K. R. Gray), London.
Mayhew, T. O. (B. Wright), Lond n.
Mayho, P. (W. R. V. Searle), London.
Mendes, B. (J. S. Weyman), London.
Mercer, P. J. (F. J. Trevers), London.
Merchant, E. A. (J. Bowman), London.
Merricks, G. W. (V. D. Wykes), London.
Merriman, A. M. (J. L. Stevenson), London.
Merry, J. E. (H. J. Wakelin), Lich-eld.
Michaels, A. P. (B. Graham), London.
Middleton, A. (F. W. Carder), Stone-on-Trent.
Migdale, P. R. (C. H. Duff), Lond n.
Miles, A. L. (S), London.
Millar, K. M. H. (N. F. Norris), London.
Millar, R. N. (J. Clapton), Salisbury.
Millard, B. A. (J. B. Marks), Lond n.
Miller, D. F. (R. J. Carter), Lond n.
Miller, R. J. (N. B. Wallis), Nottingham.
Millership, R. F. (A. D. Adams), Nairobi.
Mills, R. K. (H. Gompertz), Birmingham.
Minshull, W. T. G. (C. D. Anders n), Cheltenham.
Minter, M. A. (F. L. Gower), Ipswich.
Mitchell, D. B. (C. Gee), London.
Moffat, F. J. (T. G. Wood), Manchester.
Moir, I. J. (W. E. Willis), Leicester.
Monaghan, B. C. (L. C. Hammerton), Liverpool.
Moore, C. M. (D. T. Veale), Leeds.
Moore, G. W. (S. D. Moore), Hull.
Morley, G. S. (G. G. Wight), London.
Morgan, B. A. (W. R. Bralesford), Nottingham.
Morgan, C. E. J. (S. A. Common), Newport, Mon.
Morgan, C. H. (R. H. Jeffs), Ponty-ridd.
Morgan, D. (J. F. Hodges), Welshpool.
Morgan, J. H. (J. Wise), London.
Mullan, J. B. (H. A. Hawes), London.
Mundy, N. R. (G. A. Molineux), London.
Murad, E. H. (A. A. Bradshaw), London.
Murphy, J. (K. W. Bouch), London.
Myers, A. C. A. (Sir William Carrington), London.
Myers, J. J. (G. R. Lucraft), Brighton.

Nash, A. R. (J. Green), London.
Nathan, B. H. (L. H. Fink), London.
Naylor, A. R. (L. M. Biggs), Guildford.
Newman, A. G. (I. G. Miller), Cardiff.
Nicholson, N. F. (B. Wright), London.
Nixon, V. A. (J. F. Shuttleworth), London.
Norbury, R. L. (G. Whittaker), Manchester.
Norman, K. (E. R. Bosley), Birmingham.
Norton, D. J. (L. J. Culshaw), London.
Nursaw, R. G. (B. W. Vincent), London.
Nuttall, A. L. (W. A. Hughes), Liverpool.

Oddy, G. M. (N. Shaw), Dewsbury.
Oldam, B. A. (D. Smith), Leeds.
Oliver, J. D. B. (D. A. Clarke), London.
Orchard, J. R. (R. A. Cook), Cambridge.
O'Regan, M. D. B. (P. C. Hounsfield), London.
O'Sullivan, N. J. (R. F. J. Partridge), Romford.
Owen, B. T. (F. J. Chivers), London.
Owen, L. L. (J. A. B. Jones), Swansea.
Owram, D. (S. Scholey), Leeds.

Paine, G. A. (W. E. C. Offer), Oxford.
Pandya, B. B. (T. H. Mitchell), Manchester.

Paris, A. E. (C. E. Thurlow), London.
Parker, C. J. (W. N. Crebbin), London.
Parker, J. H. (R. G. West), Banbury.
Parkin, R. G. (H. Woodruff), Sheffield.
Parkinson, C. E. (P. H. Tyack), London.
Parkinson, J. P. (J. F. Allen), Crewe.
Parrish, B. W. (C. Long), Bradford.
Parry, A. B. (F. V. Hussey), Ipswich.
Pecker, M. L. (A. Appleby), London.
Peek, R. A. (W. Parker), Birmingham.
Peel, J. M. (D. G. Bee), Fleetwood.
Peirson, N. K. (K. S. Peirson), Coventry.
Pellant, R. A. (R. G. Smith), London.
Pelling, J. (F. C. S. London), London.
Penrose, J. B. (L. C. V. King), Amersham.
Percy, B. E. (W. L. Nicholson), London.
Pescud, T. (R. H. Stevens), London.
*Peterson, M. N. (W. H. Thomas), Liverpool.
Pethen, D. K. (S. C. Saunders), Portsmouth.
Phillips, D. P. (J. C. M. Williams), Swansea.
Phillips, R. L. (formerly with P. F. Spurway, deceased), Cardiff.
Pilgrim, L. W. (F. H. R. Turney), London.
Pocock, D. B. (E. W. B. Cotterell), Birmingham.
Pollock, R. L. (K. Johnson), Leicester.
Poncia, E. A. (F. I. Edwards), Birmingham.
Poulton, G. F. (J. A. Wagstaff), Worcester.
Powell, M. J. (J. A. Wagstaff), Worcester.
Praem, E. (E. E. Hallam), London.
Pratt, J. A. (L. N. Coombe), London.
Pressey, D. G. (L. C. Winterton), London.
Price, I. G. (J. G. Powell), Swansea.
Prime, B. S. (R. L. B. Guettier), London.
Pringle, G. (J. C. Smethers), London.
Prior, A. J. (F. G. Peacock), London.
Pritchett, G. A. (R. V. Newland), Birmingham.
Profit, P. R. (L. Owen), Birmingham.
Proudfoot, B. (A. G. Hirst), Liverpool.
Pryor, R. B. (D. H. Whinney), London.
Pyne, A. D. (S. Morris), Reading.
Pyne, A. M. (Miss) (W. F. Curtis), Exeter.

Quemby, C. J. (E. C. Barber), London.
Quick, E. D. (H. F. Shapland), Minehead.

Rabstaff, L. D. (D. Rose), London.
Ramshaw, J. (N. Kirkman), Leeds.
Rathmell, J. A. (C. J. Jeffries), London.
Reardon, P. J. (S. Roden), Birmingham.
Reddish, G. J. (R. W. Gorman), London.
Redfern, A. (S. Atkinson), Manchester.
Reed, P. M. (Miss) (R. E. Bolton), Newcastle upon Tyne.
Rees, S. P. (J. S. Armstrong), Newcastle upon Tyne.
Rich, A. G. L. (R. F. May), London.
Richardson, M. J. (E. J. Furniss), London.
Riddoch, B. H. (C. Wallis), London.
Ridges, M. J. (J. M. Harvey), Liverpool.
Riley, K. J. (F. K. Wilby), Leicester.
Riley, R. E. (S. Sutcliffe), Halifax.
Robinson, M. F. (S. H. Smith), London.
Rodger, S. (R. Rickaby), Sunderland.
Roe, P. H. (P. S. Potter), Newport, Mon.
Rogove, A. I. (R. Marks), London.
Ross, J. M. T. (F. B. Proctor), London.
Rossi, D. M. (G. P. Rossi), Norwich.
Rowley, B. D. (K. A. Millichap), Manchester.
Rowley, D. J. D. (A. Green), Liverpool.
Roy, H. N. (C. W. D. Over), Woking.
Ruff, B. C. (J. A. C. Will), London.

Saint, O. J. (W. S. C. Charles), Carlisle.
Salmon, R. E. F. (G. F. Salmon), London.
Saltmarsh, R. M. (D. G. Tate), St Albans.
Samaraweera, D. E. A. S. (formerly with H. C. Quick, deceased), London.
Sanders, J. M. (V. Harris), London.
Sassoon, R. J. (M. Gordon), London.
Saunders, I. D. (R. I. Pooles), Richmond, Surrey.
Saunders, S. L. (M. L. Harris), London.
Schofield, G. H. (H. Baldwin), Manchester.
Schofield, J. T. (T. L. Sutton), Durham City.
Scruton, L. E. (L. A. I. Deane), London.
Scurlock, J. W. G. (J. R. Kilpatrick), Cardiff.
Secker, A. I. (H. A. Nock), Dudley.
Seddon, P. H. (J. C. Brown), Manchester.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Seekings, J. C. (G. T. Holden), Bradford.
 Selwyn, J. M. (T. Hoffman), London.
 Shakespeare, E. A. (E. Garner), Nuneaton.
 Shaw, E. A. (T. P. Hawker), Birmingham.
 Shaw, M. C. (H. E. Hann), London.
 Sheikh, F. R. (S. A. Spofforth), London.
 Sheikh, M. A. (S. R. Stammers), Brighton.
 Sherlock, J. F. (D. D. Blythe), Coventry.
 Sherwin, G. (B. Lister), Doncaster.
 Sherratt, R. P. (K. B. Taylor), Manchester.
 Shew, E. J. (T. Callon), St Helens.
 Short, C. M. (A. B. Wilson), London.
 Simons, M. E. (C. Halpern), London.
 Simpson, C. A. (J. F. Shuttleworth), London.
 Skillman, L. A. D. (R. C. C. Rawlins), London.
 Slater, G. R. (C. K. Jordan), Manchester.
 Slater, P. F. (A. Dawson), Sheffield.
 Sleep, D. J. (S. R. Perratt), Taunton.
 Smart, A. B. W. (J. B. Watling), Bristol.
 Smith, C. H. P. (J. L. E. Daly), London.
 Smith, J. A. (R. E. Reynolds), London. (*Plender Prize for the paper on Advanced Accounting (Part I).*)
 Smith, J. N. (M. Price), London.
 Smith, J. W. (A. J. Smith), Richmond, Surrey.
 Smith, M. K. (C. B. Holland), London.
 Smith, M. L. (M. D. Murray), Walton-on-Thames.
 Smith, P. A. (J. W. Walkden), Northampton.
 Smith, R. C. (J. H. Banfield), London.
 Smith, T. R. (G. T. Holden), Bradford.
 Smith, V. (C. Mourant), London.
 Snell, J. W. (E. F. Tuffrey), London.
 Sood, V. D. (I. B. Goldstein), London.
 Southwood, B. W. (T. Callon), St Helens.
 Speed, D. W. (R. B. Owen), Derby.
 Spence, C. (R. C. Nash), Minehead.
 Spieler, A. (J. E. Fischer), Liverpool.
 Stack, K. S. (J. C. Sheldrake), Chelmsford.
 Stanworth, A. D. (W. Parker), Burnley.
 Stapleton, B. L. (A. D. Chegwiddden), Ilford.
 Stapleton, F. J. (D. Gubbay), London.
 Starr, D. K. (E. Johnson), Llandudno.
 Steadman, W. B. K. (C. B. Hardcastle), London.
 Steere, C. J. (R. Kettle), London.
 Stenning, R. G. (G. V. McFarland), Reading.
 Stephens, R. E. (J. Winn), Newcastle upon Tyne.
 Stevens, J. (G. F. Sidaway), Blackheath.
 Stewart, H. P. (P. E. Heywood), London.
 Stillitz, G. B. (J. S. Lake), London.
 Stokes, R. H. (S. F. Gore), Margate.
 Stoppard, P. (R. M. Bennett), Bristol.
 Stroud, A. W. (E. G. Evans), London.
 Struel, I. (F. A. Adams), Cardiff.
 Sutton, B. (E. Winstanley), Nottingham.
 Swan, N. E. B. (A. D. Wardle), London.
 Swift, J. (C. B. Burrows), Liverpool.
 Sykes, K. (C. M. Bickerton), Manchester.

Taffs, G. C. (J. D. Green), London.
 Tait, W. G. (J. R. Calverley), London.
 Talfourd-Cook, B. (G. Talfourd-Cook), Reading.
 Tattershaw, R. (H. J. Cotterill), Derby.
 Tayar, C. G. (I. R. Kendall), Birmingham.
 Taylor, A. T. (R. P. Smith), Chorley.
 Taylor, D. R. H. (A. E. Downing), London.
 Taylor, F. W. (D. Harrocks), Liverpool.
 Taylor, G. W. (T. S. Taylor), Gravesend.
 Taylor, J. F. (E. B. Gasking), Ormskirk.
 Tedder, J. A. (J. M. P. Bishop), London.
 Thacker, B. S. (P. F. Cansdale), London.
 Thomas, A. D. H. (E. E. Sander), London.
 Thomas, J. N. (K. W. Deacon), Coventry.
 Thomas, T. E. (S), London.
 Thomas, W. E. L. (E. J. Wright), Manchester.
 Thompson, G. (S), Manchester.

Thornton, G. (Sir Robert Chapman, Bt.), South Shields.
 Tiscoe, A. M. (S. Gainsley), London.
 Tomkins, A. C. (H. M. Pepper), Walsall.
 Tonge, R. C. (A. H. Walton), Manchester.
 Torlesse, C. D. (A. Cowdy), Portsmouth.
 Tosswill, S. R. (C. E. Peers), London.
 Tovey, H. P. (R. W. Meacock), Newport, Mon.
 Trew, G. A. (G. H. Down), Swansea.
 Trowse, M. J. (W. T. Meigh), London.
 Tuck, N. G. J. (J. L. Mawhood), London.
 Turl, G. (P. Shapland), Taunton.
 Twitchen, B. F. G. (B. C. Scurr), Alton.

Underwood, E. J. (S), Birmingham.
 Underwood, W. G. (P. F. Granger), Nottingham.
 Upton, G. R. (A. R. O. Slater), London.

Varnish, R. H. (C. L. Ellison), Birmingham.
 Vaughan, R. L. (H. J. Patience), London.
 Vercoe, P. N. (R. C. Pearson), London.
 Vigor, D. A. (H. O. H. Coulson), London.
 von Gebattel, A. (Miss) (P. G. Heslop), London.

Wade, P. A. (D. Sirkin), Leicester.
 Wagstaffe, A. T. (J. Mather), Chesterfield.
 Wain, A. C. (G. A. Lillywhite), London.
 Walker, M. (D. Peel), Elland.
 Wall, I. B. (C. E. Copley), Rotherham.
 Walmsley, J. G. (A. Holmes), Manchester.
 Walton, G. R. (L. K. Taylor), Manchester.
 Warburton, D. (A. Hague), Blackpool.
 Waters, B. W. (B. M. Hennell), London.
 Watson, D. T. U. (G. C. B. Gidley-Kitchin), London.
 Weatherston, I. R. (D. K. Kahn), London.
 *Webb, A. C. (B. Keohane), Newport, Mon.
 Webley, M. A. C. (R. F. G. Burrows), Nottingham.
 Webster, P. F. (R. Rickaby), Sunderland.
 Weeds, C. N. (E. Winstanley), Nottingham.
 Welfare, M. C. (J. O. Attlee), Dorking.
 *Weller, A. G. (F. G. Baker), London.
 Wheatley, A. E. (C. W. Norton), London.
 Whinney, F. J. G. (H. P. Patterson), London.
 White, D. N. (J. H. Brown), Hexham.
 White, M. H. (E. D. Lamb), London.
 Whitehead, G. (G. M. Carrick), Newcastle upon Tyne.
 Whitehouse, H. J. (E. Lord), Birmingham.
 Whiter, A. R. (H. J. R. Roffe), Godalming.
 Whitmore, G. H. (H. D. Harris), Coventry.
 Wiard, P. (F. Hiscocks), Liverpool.
 Wilby, N. (N. Spiro), London.
 Wilkin, D. (J. W. Harker), Durham City.
 Wilkins, R. M. (L. A. Periton), London.
 Wilkinson, N. F. (W. G. Densem), London.
 Williams, D. W. (K. C. Cook), Liverpool.
 Willis, P. A. (J. Codling), Beaconsfield.
 Wilson, D. C. (S. J. Cowey), Sunderland.
 Wimpenny, D. G. (F. Crosland), Huddersfield.
 Winterbottom D. S. (G. G. Wilson), Leeds.
 Wolfe, M. L. (R. F. Watkins), Northampton.
 Wood, P. A. K. (H. C. Mounsey), Liverpool.
 *Worth, B. L. (F. R. Coad), London.
 Wray, I. W. (V. H. Frank), London.
 Wright, J. M. (C. Bacon), Derby.
 Wright, L. W. (N. W. Thirtle), Lincoln.
 Wright, N. A. (J. A. Owers), London.

Young, M. (C. Young), Cambridge.
 Yuill, G. W. (L. A. I. Deane), London.

Zahid, A. M. (E. G. Evans), London.
 Ziprin, G. C. (G. J. Myers), London.

The O. C. Railton Prize for the year 1959
 Ng, Wing Keung (F. S. Young), London.

673 Candidates passed.

723 Candidates failed.

* See also Certificate of Merit above.

* (S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

INTERMEDIATE EXAMINATION*Held on November 17th, 18th and 19th, 1959.***Certificates of Merit with Prizes Awarded***First Certificate of Merit, the Institute Prize, the Robert Fletcher Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)*

Corner, Alexander (C. Halpern), London.

Second Certificate of Merit and the Tom Walton Prize

Jaffer, Nazim (S. P. Quick), London.

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C. Prize (shared with one other)

Bowman, Jeffery Haverstock (M. R. Harris), London.

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C. Prize (shared with one other)

Caffyn, Robert James Morris (G. E. Morrish), London.

Fifth Certificate of Merit and the Plender Prize for the paper on Taxation and Cost Accounting

Bambrough, Roger Arthur (G. C. F. Shackleford), London.

Sixth Certificate of Merit

Reeder, Pamela Yvonne (Miss) (M. Fox), London.

Seventh Certificate of Merit

Cobley, Garry John (A. G. J. Horton-Stephens), Brighton.

Geary, Michael John (H. S. Thompson), London.

Ninth Certificate of Merit

Caldwell, Robert Gervase (N. J. Williams), Warrington.

Foreman, Peter Barry (A. Jolly), Hove.

Hornes, Stephen Philip (W. S. Rainbow), Newcastle upon Tyne.

Twelfth Certificate of Merit

Atkinson, Henry John (J. M. Keith), London.

Pearson, Malcolm (A. H. Walton), Manchester.

Fourteenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Executorship)

Rajpar, Anverali Mohamedali (S. P. Quick), London.

Fourteenth Certificate of Merit

Fitz-Gerald, Anthony Derek Francis (J. Godfrey), London.

Kirby, John (W. R. Hunter), Widnes.

Seventeenth Certificate of Merit.

Sharp, Michael John (M. S. Beavan), London.

Eighteenth Certificate of Merit.

Roberts, William Morys (D. Garrett), London.

Nineteenth Certificate of Merit.

Grandage, Simon Tucker (D. R. B. Smith), London.

Full List of Names of Successful Candidates*(In alphabetical order)*

Abbas, I. (D. F. Byrne), Kingston upon Thames.

Abraham, E. C. (L. F. H. Jones), Lymington.

Acratopulo, P. A. (A. Johnson), Liverpool.

Adefeso, O. A. (A. T. Dowd), Manchester.

Adlington, C. (R. H. Nicholson), London.

Afzal, M. (G. Shipman), London.

Ahmad, S. (G. H. Hovey), London.

Ahmed, A. (R. Kay), Manchester.

Alexander, R. C. (B. Walker), Birmingham.

Alibhai, N. N. (H. Sainer), London.

Allawala, S. A. (S. T. Milner), Harringate.

Ambanpola, E. M. K. B. (A. Feldman), London.

Amos, M. R. (R. B. Hill), London.

Anderson, R. J. (H. D. Anderson), Middlesbrough.

Andrews, J. M. (W. H. Parton), London.

Archdale-Smith, A. (D. H. Tonkinson), Brighton.

Archer, W. R. V. (R. S. Paterson), London.

Aris, V. J. (Miss) (N. E. West), Litchamptton.

Armbrister, M. A. (R. K. Briscoe), London.

Arnold, P. D. (G. A. Lillywhite), London.

Arnold, R. D. (P. Messik), London.

Ashraf, M. (N. T. Bell), London.

Ashton, S. C. (C. L. Woolveridge), London.

Aslam, M. (L. E. Cattermole), London.

Atkinson, G. (R. G. Jennings), Sunderland.

*Atkinson, H. J. (J. M. Keith), London.

Austin, D. (M. G. D. Johnson), Sunderland.

Aziz, M-u (H. G. Jefferies), Langport.

Baker, C. (A. L. Poole), London.

Baker, E. W. (M. Ward), South Shields.

Baker, J. R. (A. J. Knox), London.

Baker, R. (H. Jacobs), London.

Ball, A. E. (C. B. Holland), London.

Ballinger, R. H. (R. J. Parker), Aylesbury.

*Bambrough, R. A. (G. C. F. Shackleford), London.

Barker, R. (W. H. Warren), Derby.

Barker, T. (G. H. Smith), Scarborough.

Barnes, C. L. (C. H. Dew), Leamington Spa.

Bartlett, A. P. (W. R. Clemens), London.

Barton, J. G. (M. Moore), London.

Battin, P. C. (Miss) (B. A. Reynolds), Ashford, Kent.

Bawtree, C. O. (S. R. Stammers), Brighton.

Beard, C. P. (P. B. M. Knight), Brighton.

Beauclerk, M. de V. (T. G. Threlford), London.

Beavis, J. R. S. (J. Birkett), Bristol.

Beazley, H. J. S. (E. B. Palmer), London.

Bedingfield, A. K. (H. Dakin), Sheffield.

Beeny, D. J. (D. J. Hedges), Banbury.

Beeson, K. J. (A. C. Jones), London.

Beggs, D. A. (W. Mills), London.

Beighton, P. (L. W. H. Evans), Sheffield.

Beirne, J. (W. Hobson), Manchester.

Belfield, R. J. (F. Webb), Manchester.

Bell, P. (C. D. Whitall), Liverpool.

Benns, J. A. (H. S. King), London.

Bennett, R. (H. E. Brown), London.

Berry, R. N. (C. B. H. Gill), Manchester.

Bessant, C. M. (R. H. Langdon-Davies), Oxford.

Bevan, S. (G. D. Paterson), Leeds.

Bill, J. (S), Dudley.

Binstead, M. T. H. (D. J. Duthie), London.

Bird, R. C. J. (N. G. Webber), Exeter.

Birley, J. K. (L. Ogden), London.

Birtley, D. (H. H. Hole), St Albans.

Bister, R. A. (E. J. Owen), Leamington Spa.

Biswas, C. (S), Calcutta.

Blake, M. E. (S), London.

Blake, T. M. J. (R. Kettle), London.

Bleach, P. K. (R. Clough), Leeds.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Blease, J. M. (C. D. Jacobs), Birmingham.
 Blyth, C. J. J. (A. C. Vause), London.
 Blyth, J. D. F. (F. H. Taylor), London.
 Boardman, P. J. (R. B. Leech), Coventry.
 Bobroff, A. H. (M. Nathan), London.
 Bolton, R. J. (G. R. Freeman), London.
 Bond, I. D. B. (J. N. Prentice), London.
 Born, G. I. (I. W. Frazer), London.
 Bown, M. R. (B. E. Brown), Cardiff.
 Bough, A. H. (D. A. W. Hamilton), Bexhill-on-Sea.
 Boulding, J. E. (R. H. More), London.
 *Bowman, J. H. (M. R. Harris), London.
 Bowry, J. C. (B. A. Haynes), London.
 Brackenbury, A. W. (C. L. Arundale), Macclesfield.
 Bradbury, J. M. (C. Rutter), Manchester.
 Brady, J. V. (N. H. Russell), Birmingham.
 Brain, G. W. J. (G. E. Morrish), London.
 Braman, G. J. (W. A. Richardson), Nottingham.
 Bright, C. J. (A. W. Howitt), London.
 Brittain, R. J. (J. H. Sterland), St Neots.
 Brodie, M. H. (E. Noble), London.
 Brooke, R. B. (J. H. Mitchener), Southampton.
 Brooker, C. M. J. (N. F. Crouch), Brighton.
 Broster, J. H. (A. Harper), Preston.
 Brown, C. P. (J. W. Berriman), Middlesbrough.
 Brownette, J. A. (Miss) (A. J. Benjafeld), Wells.
 Broxham, N. H. (G. M. Mowforth), Hull.
 Buck, R. I. (N. Rutter), Liverpool.
 Buckingham, J. L. (T. L. Plewman), Bedford.
 Buckmaster, J. M. N. (L. K. Wootton), Winchester.
 Bull, A. J. (R. H. Jarritt), Bristol.
 Bullivant, T. W. (L. G. Davies), Liverpool.
 Bullman, D. J. (A. W. Garnier), London.
 Bunting, H. (J. W. Berriman), Middlesbrough.
 Bunting, P. J. (W. J. Newton), Birmingham.
 Burdon, R. T. (T. H. Burdon), Bradford.
 Burge, J. G. (F. R. Reber), London.
 Burrows, A. H. (P. C. Lloyd), Liverpool.
 Burrows, W. A. (C. E. W. Lavender), Manchester.
 Burton, J. A. T. (A. P. Burton), Keighley.
 Burton, P. R. (J. R. Tovey), Reading.
 Butterworth, F. E. (P. G. Gadd), Colwyn Bay.
 Byrne, M. F. (N. L. R. Trounce), Manchester.
 *Caffyn, R. J. M. (G. E. Morrish), London.
 Caird, H. D. (S), Nairobi.
 Cakebread, N. F. (J. E. K. Clarke), London.
 *Caldwell, R. G. (N. J. Williams), Warrington.
 Callow, M. (G. H. Taylor), London.
 Calvert, T. G. (H. W. Thomas), Swansea.
 Campbell, C. R. (H. J. Armstrong), Newcastle upon Tyne.
 Campion, W. I. (A. Jones), Liverpool.
 Cappin, M. B. (J. B. Rubens), London.
 Cariou, M. G. (D. L. Lince), Guernsey.
 Carling, R. H. F. (F. L. Moore), London.
 Carr, G. D. O. (R. I. Skeet), London.
 Carter, J. D. O. (P. O. Carter), Bolton.
 Carter, J. H. (K. J. Salter), Bognor Regis.
 Cartwright, A. R. J. (M. R. Jackson), London.
 Casben, P. J. (A. B. Lucas), London.
 Cassels, R. A. S. (H. G. Sergeant), Hull.
 Chamberlain, M. A. (R. Dunn), Leicester.
 Chancellor, B. L. (E. F. L. James), Birmingham.
 Chapman, R. A. (Miss) (H. A. Kinney), London.
 Chapple, B. B. (A. Parker), London.
 Charles, D. J. B. (E. B. Palmer), London.
 Chatten, B. W. (C. Stevens), London.
 Cheetham, R. F. (E. D. London), Nottingham.
 Clare, A. R. (P. C. Cardo), Bradford.
 Clark, C. (S. P. Wilkins), London.
 Clark, E. W. H. (P. V. Rising), London.
 Clark, K. W. (J. F. Hudson), London.
 Clemmitt, J. E. (P. H. Dobson), Leeds.
 Clode, J. M. (B. E. Brown), Cardiff.
 Coates, J. R. (C. E. Fletcher), Leicester.
 *Cobley, G. J. (A. G. J. Horton-Stephens), Brighton.
 Cockayne, J. J. (K. H. Littlewood), Sheffield.
 Cockayne, R. E. (R. C. Wilkes), Leicester.
 Coe, D. J. (B. L. Barber), London.
 Coghlan, A. G. L. (A. H. Marshall), London.
 Cohen, H. (S. S. Cluck), London.
 Cojeen, J. W. (R. Watson), Liverpool.
 Cole, A. E. (P. F. Rendell), Bristol.
 Colegrave, A. (A. B. Richardson), Hastings.
 Coleman, T. J. (C. D. Whitnall), Liverpool.
 Connelly, G. O. (M. C. Holgate), Manchester.
 Connett, R. (H. Hudson), Dudley.
 Connor, B. K. (D. S. Lloyd), London.
 Cook, K. A. (W. B. Paton), London.
 Cook, M. J. W. (J. R. Layton), Salisbury.
 Cook, M. S. (R. B. Dixon), Birmingham.
 Cooke, P. C. (H. G. Pinner), Redditch.
 Cooper, D. (Miss) (G. C. Peat), London.
 Cooper, D. A. (R. G. Wilkes), Leicester.
 Cooper, L. M. (T. Lester), Derby.
 *Corner, A. (C. Halpern), London.
 Corney, D. J. (E. G. Wilcox), Birmingham.
 Corps, J. E. (H. Murray-Lepper), Northampton.
 Couacaud, M. J. L. (G. W. H. Knott), London.
 Couchman, M. S. (R. A. Roberts), London.
 Coulston, P. J. (C. V. Smith), Cheltenham.
 Coulthard, D. M. (Miss) (C. H. Pomfret), Bootle.
 Cox, A. R. E. (H. J. Binder), London.
 Cox, J. (F. H. Parkinson), Coventry.
 Crellin, D. (E. J. Nettle), Birmingham.
 Cresswell, P. C. (C. H. Smith), Birmingham.
 Cropper, A. G. (D. H. Burton), Wolverhampton.
 Cropper, A. T. (A. E. Lacon), Wolverhampton.
 Crosby, G. (A. C. Croft), Hull.
 Cross, D. S. (E. J. Newman), Birmingham.
 Cunningham, D. S. (W. E. Ogden), London.
 Dack, D. (F. G. A. Cooper), Wisbech.
 Dafnion, D. O. (J. A. Miles), London.
 Dale, M. W. (J. L. Merchant), Ealing.
 Daniel, M. N. (D. G. Langford), Newport, Mon.
 Dare, B. S. (G. B. Bunker), London.
 Dastoor, V. K. (H. Wadie), London.
 Davda, P. D. (R. C. Deith), London.
 Davies, J. E. V. (S. J. Drakeley), Nuneaton.
 Davies, R. M. (R. A. Coupland), London.
 Davies, S. G. T. (R. J. Butterworth), London.
 Davis, A. (G. Finlay), London.
 Davis, D. (S. Cohen), London.
 Dawes, M. S. G. (G. R. Lucraft), Brighton.
 D'Cruz, E. A. A. (B. A. Burke), London.
 Deacon, J. F. (G. S. Brunning), London.
 Deakin, N. H. (F. Pragnell), Nottingham.
 Denton, J. W. (D. V. Hinkley), London.
 Dewing, B. R. (G. G. Goode), Birmingham.
 D'Haenens, C. (Miss) (D. T. Bainbridge), Darlington.
 Diamond, M. (M. Cooper), London.
 Diaper, C. M. (R. Bentley), Southampton.
 Dibben, J. M. F. (J. P. Burnett), Southampton.
 Dillsworth, R. A. H. (J. Sandiford), Manchester.
 Dobbie, A. H. (L. J. W. Gould), London.
 Dobbs, R. N. (R. B. C. Horton), London.
 Dobson, T. E. (R. L. Topham), Keighley.
 Donald, J. R. (J. N. Donald), Newcastle upon Tyne.
 Dooley, M. J. (B. Lovatt), Leicester.
 Dore, C. N. (E. B. Palmer), London.
 Dossor, J. P. (C. A. Wood), Bridlington.
 Dowles, R. L. S. (T. I. Williams), London.
 Downey, W. J. (H. A. Benson), London.
 Downing, V. S. (E. R. Nicholson), London.
 DuBuisson, P. W. G. (P. L. Eynon), London.
 Duckett, J. A. (F. R. Reber), London.
 Duerden, R. P. (W. A. T. Higgs), London.
 Duffell, P. M. (D. V. Hinkley), London.
 Dunbar, D. R. M. (R. W. N. Payne), London.
 Dunkley, D. McC. (H. J. Robinson), London.
 Dunley, R. J. (E. R. Nicholson), London.
 Dunn, J. H. (J. G. Hanwell), Hull.
 Durojaiye, S. A. (H. B. Vanstone), Manchester.
 East, D. H. (H. T. Higgins), London.
 Eatock, D. B. (S), Manchester.
 Edet, C. I. (F. W. Lincoln), Worthing.
 Edirisinghe, A. G. G. (K. C. Pearce), London.
 Eddison, D. W. (Sir Harold Howitt), London.
 Ellis, J. S. (N. E. Pawsey), Clacton-on-Sea.
 Ellis, N. G. (J. G. S. Longcroft), London.
 Elsmore, R. J. (C. J. Vane), Birmingham.
 English, D. E. (D. C. Keeping), London.
 Epstein, A. J. (A. B. L. Murison), London.
 Etchell, R. (G. A. Smith), London.
 Evans, B. J. (K. H. Moss), Coventry.
 Evans, D. L. (C. E. McLay), Cardiff.
 Everitt, W. F. J. (W. N. Chick), Nottingham.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Farinde, J. O. (A. Deitch), Edgware.
Farmer, J. A. (I. M. Macdonald), London.
Farnell, B. (E. M. Cameron), Sheffield.
Farnill, F. (S. D. Moore), Hull.
Farrant, R. (E. Miskin), London.
Faull, A. G. (Miss) (E. Stevens), Pezance.
Fereday, A. W. (C. T. Boakes), London.
Ferguson, R. (W. S. Ferguson), Maccport.
Fernando, D. L. (A. Cotton), London.
Fifield, L. E. (T. Jeffery), London.
Finn, A. H. (R. M. Simpson), London.
*Fitz-Gerald, A. D. F. (J. Godfrey), London.
Fleetwood, P. E. (A. T. Mabe), Deby.
Fletcher Morris, J. G. (E. A. Bland), Colchester.
*Foreman, P. B. (A. Jolly), Hove.
Forsyth, N. C. (L. Shaw), Manchester.
Forth, C. R. (E. P. Q. Carter), Birmingham.
Foster, G. H. (C. W. H. Morton), Nottingham.
Fox, B. N. (W. R. Heatley), Coventry.
Foxley, M. J. C. (P. F. Keens), Luton.
Freshfield, G. R. (R. T. Bucknill), London.
Frost, G. B. J. (F. L. Bromfield), London.
- Gabbie, P. H. (W. Wetton), Manchester.
Gallimore, J. R. (J. Pattinson), Winchester.
Gamble, R. A. (I. H. Wilkins), London.
Gardiner, P. G. (W. G. Lithgow), Southport.
Garner, G. C. (B. M. Smith), London.
Garrett, J. E. (G. H. Kingsmill), Scindon.
*Geary, M. J. (H. S. Thompson), London.
Gent, P. (J. D. Russell), London.
Gentry, M. J. (H. R. Davison), Barnstaple.
George, M. (E. G. Cleere), Basingstoke.
Ghosh, S. M. (S), Manchester.
Gibbs, C. G. (A. D. Johnson), London.
Gibson, G. R. (L. Gibson), London.
Gillian, D. P. W. (C. M. Foxon), Nottingham.
Gillmore, F. C. (R. M. E. Watkins), London.
Gilmour, W. H. P. (A. D. Walker), Liverpool.
Gladwin, D. H. (L. A. Ward), London.
Glass, D. A. (D. G. Higgs), London.
Gledson, J. N. (P. Cooper), Newcastle upon Tyne.
Glennon, D. P. (W. G. Miles), Slough.
Glicksman, E. E. (Miss) (I. B. Glickman), London.
Gnananayagam, R. (K. J. Castle), London.
Godbehere, A. K. (H. Hebblethwaite), Sheffield.
Godwin, S. R. (L. R. Done), London.
Goldsmith, C. C. (Sir R. A. Jenks, Et.), London.
Goodall, D. J. (E. R. Nicholson), London.
Gooding, R. K. (R. H. Taylor), Bur St Edmunds.
Goodman, D. (H. I. Jacobs), London.
Goodwin, T. R. T. (D. G. W. Ballard), London.
Gordon, A. (E. Miskin), London.
Gosden, J. K. (H. F. Payne), London.
Gough, A. J. (R. W. Collins), Newcastle upon Tyne.
*Grandage, S. T. (D. R. B. Smith), London.
Gray, B. (Sir R. Chapman, Bt.), South Shields.
Gray, S. M. (M. R. G. Cory-Wright), London.
Graydon, G. A. (F. Thompson), Newcastle upon Tyne.
Grays, F. L. (J. Auerbach), London.
Green, M. H. (J. L. Bird), Brentwood.
Griffin, M. W. (F. G. Batty), West Bromwich.
Griffin, T. J. (R. H. Nicholson), London.
Grimshawe, P. R. (H. Anderson), Leeds.
Groom, C. R. (R. Francis), London.
Gross, G. E. F. (K. C. Pollock), Rochester.
Gruncell, F. E. J. (B. R. Pollott), London.
Gunn, S. A. L. (Miss) (B. R. Pollott), London.
Guy, T. K. (A. R. Round), Dudley.
- Haddon, I. W. M. (O. V. Durrant), Norwich. (*Plender Prize for the paper on Auditing*).
Hale, A. E. (R. L. Latimer), London.
Halford, M. B. D. (W. B. S. Walker), London.
Hall, A. G. (C. E. M. Cheetham), Church.
Halling, D. (E. J. Trudgeon), Wadetrige.
Halton, C. A. (K. W. S. Clark), London.
Hamilton, K. J. (P. D. Rabjohns), Worcester.
Handa, S. C. (G. C. Henry), London.
Hannam, B. N. (P. B. Settle), Colne.
Hannigan, T. K. (H. V. Davies), London.
Harcourt Williams, M. F. (M. S. Baker), London.
Hardy, G. (D. J. Rawlinson), Peterborough.
Harper, R. N. (E. S. Bedell), Manchester.
- Harris, B. R. (J. R. Chappel), Ilford.
Harris, D. (G. H. Down), Swansea.
Harris, R. (T. H. Sutton), Southport.
Harris, T. F. (S), London.
Harrison, G. (R. J. Harris), Hull.
Hartley, T. J. (J. W. Richardson), Sheffield.
Haryott, J. B. (G. R. Smith), Grimsby.
Hassanali, H. (G. T. Schofield), London.
Hatch, N. J. (H. A. Astbury), London.
Havercroft, C. F. (P. E. Heywood), London.
Hawkins, G. R. P. (J. E. Talbot), London.
Haynes, M. F. (A. R. T. Steele), Liverpool.
Hays, D. J. (E. C. Griffith), Watford.
Haythornthwaite, D. C. M. (G. J. Jinks), Plymouth.
Heath, P. T. (D. Harrison), Bath.
Heather, D. M. (G. G. Lee), Liverpool.
Hellyar, M. F. (J. H. G. Maltby), London.
Henderson, D. (R. Rickaby), Sunderland.
Hendries, M. A. H. (M. A. P. Gay), London.
Hesford, M. M. P. (J. C. Benson), Newcastle upon Tyne.
Hesketh, B. R. C. (G. S. Beesly), London.
Hester, R. J. (T. H. Griffith), Slough.
Hey, B. J. L. (D. Armitage), Leeds.
Hickman, R. (R. C. G. Tibbles), London.
Higgins, P. G. (K. Mashford), Worthing.
Higham, T. (L. R. Binns), London.
Hill, N. W. (J. R. Burne), Liverpool.
Hilton, G. F. (A. Rouse), Manchester.
Hine, R. J. (J. J. Webber), Minehead.
Hines, A. J. (C. L. Fielden), Colchester.
Hiser, B. R. (C. Gildon), Middlesbrough.
Hitchen, G. P. (G. A. Coombs), Exeter.
Hobson, B. (D. G. Browning), Leicester.
Holland, J. (T. I. Williams), London.
Holland, P. J. (T. S. Milburn), North Shields.
Hollis, G. N. (S), Stanmore.
Holmes, C. J. (H. G. Hayman), London.
Holmes, J. B. E. (N. Johnson), Chester.
Holmes, R. J. B. H. (R. B. Hill), London.
*Holmes, S. P. (W. S. Rainbow), Newcastle upon Tyne.
Holroyd, J. (E. D. Taylor), Leeds.
Holwell, P. (J. P. C. Richardson), London.
Hood, B. E. (E. R. Nicholson), London.
Hope, L. (S), Leeds.
Hopkins, J. G. (C. L. Dain), Lichfield.
Hornabrook, C. M. (A. H. Cruikshank), Andover.
Horsley, R. (J. W. Berriman), Middlesbrough.
Horton, J. P. (G. H. Kelsey), Lincoln.
Howard, J. A. (R. D. Gregory), London.
Howarth, P. (T. S. Rawlinson), Bradford.
Howe, D. F. (J. A. Freeman), Bury.
Howells, F. A. (J. L. C. Plowman), London.
Howkins, G. C. S. (M. S. Barker), London.
Howson, C. (A. C. H. King), London.
Hubbard, R. D. C. (W. H. Olivier), London.
Hudson, E. (W. E. Thompson), Manchester.
Hudson, J. R. L. (L. Rank), York.
Hughes, A. (R. P. Allsop), Birmingham.
Hughes, G. W. (E. R. Nicholson), London.
Hughes, R. A. W. (P. A. Leicester), Worcester.
Humphreys, J. F. (E. W. Jackson), Nuneaton.
Hurd, P. A. (J. R. Gregory), Brigg.
Hurley, P. W. (J. T. Isherwood), London.
Iacovou, M. S. (D. E. Hope), London.
Ikram, Z. (J. M. S. Whittow), Cambridge.
Ingham, J. M. (H. H. Holdsworth), Leeds.
Ireland, J. B. D. (F. R. Reber), London.
Irving, F. (C. Fox), Sunderland.
Isaac, D. R. (R. J. Payne), Swansea.
Israel, C. S. (E. J. Driscoll), London.
- Jackson, A. R. (Miss) (R. A. Covington), London.
*Jaffer, N. (S. P. Quick), London.
Jafferjee, A. T. (C. A. Black), London.
James, E. G. D. (W. Caerwyn Jones), Shrewsbury.
James, K. A. (H. J. Bates), Derby.
James, R. L. (M. F. Hudson), London.
James, V. E. (H. A. Owen), London.
Jenner, J. O. (J. E. Squires), Cambridge.
John, C. L. (J. L. Smith), Birmingham.
Johnson, D. J. C. (P. I. Addison), Birmingham.
Johnson, G. A. (J. Reynolds), Hull.
Johnson, J. A. B. (T. E. Entwistle), Liverpool.
Johnson, W. J. (B. A. Clark), London.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Johnstone, A. G. (D. E. Winterbottom), York.
Jollie, P. E. J. (H. D. Barnard), London.
Jolliffe, A. S. (E. D. Jehring), London.
Jones, A. (W. E. Mason), Derby.
Jones, A. (W. Archer), Manchester.
Jones, C. E. (J. R. P. Broadhouse), West Bromwich.
Jones, J. D. (J. F. English), Bournemouth.
Jones, J. M. (L. C. Bye), Middlesbrough.
Jones, R. A. (A. R. Mason), Birmingham.
Joyce, I. M. (H. L. Lawson), London.

Kapur, R. C. (C. Fine), London.
Keeping, R. G. (R. M. Filer), London.
Kelly, J. D. (J. Page), Liverpool.
Kemp, T. R. W. (D. J. Dempster), Llanelli.
Kennedy, M. J. (S. Hague), Liverpool.
Kensington, J. A. I. St V. (D. C. Hobson), London.
Kent, D. B. (A. F. Kent), Norwich.
Kent, G. (J. Baldock), Grantham.
Kerrich, J. A. A. (H. J. Binder), London.
Khakee, A. G. (C. H. Mears), London.
Khundkar, F. H. (S. C. Churcher), London.
Kilroe, D. G. (E. M. Robinson), Preston.
Kimber, D. E. (F. J. Chivers), London.
Kimber, R. J. (J. H. G. Peterken), Ealing.
Kimpton, R. R. (D. S. Morpeth), London.
King, R. H. D. (S. K. Tubbs), London.
Kingham, J. A. (F. G. Harris), Oxford.
Kington, N. S. (W. McD. Morison), London.
Kinney, M. (C. R. P. Goodwin), Brighton. (*Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)*).
Kirby, G. R. (F. B. Wilson), Learnington Spa.
* Kirby, J. (W. R. Hunter), Widnes.
Kirkaldy, J. (A. C. Dixon), Sunderland.
Kitchen, G. M. (W. A. T. Matheson), London.
Knight, M. N. (P. D. Lace), Bristol.
Krusin, P. H. (J. F. T. Nangle), London.
Kutner, J. M. (E. M. Kevehazi), London.

Lancaster, D. (T. H. How), London.
Lane, R. S. N. (J. Hutchinson), Newcastle upon Tyne.
Lang, D. C. M. (J. B. Corrin), Northampton.
Lawrence, C. J. le M. (C. R. P. Goodwin), Brighton.
Laws, B. (F. Barter), Southsea.
Layzell, T. R. (C. H. I. Chown), Ilford.
Ledamun, A. A. (E. R. Nicholson), London.
Lee, H. A. (R. H. Martin), Swansea.
Lee, P. J. (J. P. Blows), London.
Leech, D. E. (W. W. Bigg), London.
Lees, D. B. (J. D. Russell), London.
Le Maitre, N. W. H. (P. T. Neal), Birmingham.
Levitt, P. D. (S. M. Duncan), London.
Levy, A. H. (B. Graham), London.
Levy, D. L. (S. L. Prashker), London.
Levy, M. F. (I. Cedar), London.
Levy, W. C. (S. L. Lewis), London.
Lockett, D. E. (K. B. Taylor), Manchester.
Logue, P. (W. C. Kyle), Carlisle.
Lomas, P. F. (S. Whittingham), Manchester.
Lourensz, J. B. A. (D. H. D. Spray), London.
Lowe, J. P. T. (W. H. Parton), London.
Lowe, M. A. (A. E. Thebridge), Birmingham.
Lucas, A. D. (R. D. Fraser), London.
Luck, R. M. J. (A. C. Vause), London.

Macaulay, D. H. (D. M. Finlayson), Liverpool.
McCain, I. R. (S. V. P. Cornwell), Bristol.
McDonald, E. G. (D. T. Rodgers), London.
McDonald, R. S. (P. E. Garland), Birmingham.
McDougall, A. J. (J. L. Wilkinson), Manchester.
McGregor, R. R. (L. H. Ennis), London.
Mackay, D. B. (A. C. Faulkner), London.
Mackenzie, H. J. (M. R. G. Cory-Wright), London.
McLaren, J. A. B. (H. A. Snelling), London.
Macleod, D. F. (E. R. Hogg), London.
Macnutt, R. P. S. (D. A. Jackman), London.
Maddock, P. J. (E. T. Thurlow), Guildford.
Magnay, B. (H. J. Sisson), Newcastle upon Tyne.
Mahoney, A. D. (D. T. Veale), Leeds.
Mallory, I. W. (L. H. Norman), London.
Maniar, R. V. (W. F. Baines), London.
Mann, R. (J. L. Simpson), Kingston upon Thames.
Mansley, J. R. (H. Hockaday), Liverpool.
Maqaud, E. (P. C. G. Larking), Maidstone.

Marriott, D. (S. Sharpe), London.
Martin, M. S. (A. H. Marshall), London.
Martindale, D. (M. C. Holgate), Manchester.
Mason, C. M. (E. N. Macdonald), Liverpool.
Mason, R. (W. R. Tomkinson), London.
Mat Awin, N. (T. G. Mason), London.
Maung, H. (C. W. Raw), London.
Maunsell, R. G. D. (M. H. Turner), Ipswich.
May, A. W. (F. J. B. Gardner), London.
May, S. H. (L. M. Keen), Southend-on-Sea.
Mayhew, R. (B. Arnold), Watford.
Meader, P. J. (J. J. Turnbull), London.
Meakin, J. K. B. (J. Capey), Stoke-on-Trent.
Medcalf, M. J. (E. D. Q. D'Alton), London.
Menon, R. V. (D. R. Brooks), Manchester.
Meredith, P. (T. A. Morton), London.
Merifield, D. A. (E. R. Nicholson), London.
Meston, G. M. (Miss) (J. B. Sweeney), London.
Meyer, B. R. F. (J. W. Margetts), London.
Miles, P. T. (D. H. C. Tonks), Birmingham.
Miller, J. G. (D. F. Dodd), Birmingham.
Miller, L. W. (S.), London.
Mills, G. M. E. (K. H. Littlewood), Sheffield.
Milne, D. B. (J. E. K. Clarke), London.
Minns, D. C. (T. Bourne), Burton-on-Trent.
Mitchell, D. E. (H. Tonge), Oxford.
Mitchell, T. (J. Holland), Manchester.
Moffat, T. M. (H. W. Bramley), London.
Molloy, J. H. (S.), London.
Monty, H. M. (F. C. Rossitor), London.
Moody, P. B. (E. D. McMillan), London.
Moore, B. N. (E. C. Mallett), Hull.
Moore, C. A. (T. B. Murtland), Leeds.
Moore, G. G. (W. B. S. Walker), London.
Morley, C. R. W. (E. Lockett), Manchester.
Morris, M. (G. Phillips), London.
Mortimer, S. H. (H. V. Bamford), Bradford.
Moston, R. F. J. (H. W. V. Lodge), London.
Mounsey, G. E. (B. R. Porter), Hastings.
Mowbray, C. C. (E. P. D. Taylor), Liverpool.
Moyle-Bartlett, C. (H. J. H. Greenacre), London.
Mulholland, J. (D. T. Veale), Leeds.
Munir, M. (H. J. Townsend), London.
Munyard, P. J. (A. K. Fison), London.
Murray, M. I. (W. Rankin), Liverpool.
Murray, N. S. (W. J. Carter), Wolverhampton.
Myers, G. L. (D. T. Veale), Leeds.

Nahoum, I. E. (S.), London.
Nash, D. P. (C. Jordan), London.
Nash, E. V. H. (C. A. Smith), London.
Neale, P. (H. C. Allen), London.
Nedderman, A. (J. S. Rogers), Colwyn Bay.
Neill, D. J. C. (W. Tooth), Coventry.
Newman, L. H. (D. H. Rooke), London.
Newton, E. B. (J. H. Maunder), Dorchester.
Newton, P. G. (S. R. Pearson), Preston.
Nichols, B. E. (R. F. Hayllar), London.
Nicholson, D. B. (W. L. Nicholson), London.
Nightingale, M. E. (H. C. T. Briden), London.
Noble, C. H. (A. F. Kearns), Manchester.

O' Hanlon, S. (R. V. Newland), Birmingham.
O'Hara, W. F. (G. E. S. Twist), Birmingham.
Oko, G. O. (D. F. D. Cartwright), Brighton.
Oliver, P. J. (S. L. Forwood), London.
O'Mahony, J. I. (W. H. Minter), Brighton.
Onochie, S. C. (F. W. Lincoln), Worthing.
Openshaw, H. F. (P. L. F. Grant), Manchester.
Oram, G. R. (N. B. Hart), Lincoln.
Oratis, J. P. (E. J. Wade), London.
Ostler, J. R. (F. R. Paine), London.
Overend, R. J. (N. F. Kirby), Colchester.
Overens, J. D. (B. Collins), Oldham.
Oxenforth, K. A. (E. D. Sanders), Liverpool.

Page, P. H. (D. M. D. Raper), London.
Palin, C. B. (T. Myers), Manchester.
Palmer, A. H. (J. W. Button), London.
Panter, D. C. (L. Geary), Manchester.
Park, S. (G. D. Paterson), Leeds.
Parrott, M. C. (A. E. D. Tribe), Bristol.
Parry, J. F. C. (J. G. Hurst), Liverpool.
Partridge, A. J. (I. C. Storey), South Shields.

* See also Certificate of Merit above.

• (S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Patel, B. P. (M. Berman), London.
 Paterson, J. M. (R. R. Dewin), Norwich.
 Patey, K. J. (M. C. Ainley), London.
 Pathmarajah, A. J. (S), London.
 Patient, M. Le M. (W. O. Newcomb), London.
 Pearce, J. (F. D. Webb), Manchester.
 Pearson, D. P. (B. G. Rose), Birmingham.
 Pearson, G. T. (D. R. Evans), London.
 *Peason, M. (A. H. Walton), Manchester.
 Pegg, H. C. (J. I. Robertson), London.
 Perry, R. J. (J. D. W. Marle), Bristol.
 Philipson-Stow, R. N. (D. C. Thompson), London.
 Phillips, D. H. (H. M. Symonds), Haverfordwest.
 Phillips, L. W. (A. E. Jones), London.
 Phillips, M. E. J. (J. W. Shaffer), St Austell.
 Pitt-Payne, M. G. (J. F. Aitchison), London.
 Pitts, A. G. (B. R. Lewis), Pontefract.
 Pledge, B. H. (J. C. S. Ferguson), London.
 Pole, R. H. (R. A. Chermiside), Bristol.
 Poole, D. W. (H. P. Green), London.
 Porter, A. R. D. (D. A. Bussell), London.
 Potts, P. I. T. (H. J. Sargeant), West Hartlepool.
 Pountney, B. G. H. (S), Manchester.
 Powell, P. D. (F. J. Smith), London.
 Preedy, R. W. (D. F. Gay), London.
 Prevett, D. J. (R. W. Whittaker), London.
 Price, A. St J. (H. E. Williams), Cirencester.
 Price, B. D. (T. G. Harding), London.
 Price, K. R. (A. G. Ray), Nottingham.
 Pringle, R. B. (J. D. Liggatt), London.
 Prossor, I. H. (N. B. Danbury), London.
 Pugh, C. F. G. (P. J. Brennan), London.
 Pullen, D. (C. H. Hogg), Nottingham.
 Purnell, P. F. A. (B. E. Basden), London.
 Radcliffe, P. H. (J. Whitehead), Leeds.
 Rainbow, S. W. (W. S. Rainbow), Newcastle upon Tyne.
 Rahman, M. (S. H. Marcus), London.
 *Rajpar, A. M. (S. P. Quick), London.
 Rapazzini, R. M. (R. A. Barter), London.
 Ratledge, A. J. (A. W. H. Lenton), Northampton.
 Raven, P. L. (A. N. Hollis), London.
 Ravensdale, J. M. (Miss) (R. G. Gwin), Derby.
 Rawstron, M. J. (S. Lane), Bromley.
 Raynor, H. G. (P. L. Eynon), London.
 Read, R. M. H. (C. H. March), Cardiff.
 Readman, G. (T. C. Capey), Newcastle upon Tyne.
 Reay, C. J. (D. G. Richards), London.
 *Reeder, P. Y. (Miss) (M. Fox), London.
 Rees, B. B. (C. L. Dain), Lichfield.
 Rees, D. J. T. (M. K. Forster), London.
 Reeves, C. M. (S. Kriteman), London.
 Regan, A. (G. C. B. Gidley-Kitchin), London.
 Richards, G. M. (Miss) (S), Nafferton.
 Richards, G. S. (E. J. G. Wooding), Birmingham.
 Richards, R. B. (A. E. Jacobs), Birmingham.
 Richardson, J. E. (R. F. E. Pelham), London.
 Richardson, R. L. (H. J. Burges-Parker), Bristol.
 Richmond, P. (F. C. A. Ledsam), Birmingham.
 Ricketts, E. S. (S. Brief), London.
 Riddall, A. S. (F. W. Charles), London.
 Riseley, J. E. (J. A. Nicholson), London.
 Rishworth, N. (F. Carter), Manchester.
 Robbins, M. L. M. (E. J. Pinniger), Salisbury.
 Roberts, A. T. (J. D. Sadler), Manchester.
 Roberts, P. R. G. (W. F. Riding), Manchester.
 *Roberts, W. M. (D. Garrett), London.
 Robinson, M. M. (R. W. Whittaker), London.
 Robinson, R. I. (T. N. Foster), Preston.
 Robson, A. (F. H. Duckett), Leeds.
 Rodgers, D. J. (C. D. Walker-Arnot), London.
 Roe, J. D. (L. B. Gardner), Dudley.
 Roff, J. B. (A. N. Hargreaves), London.
 Rogers, D. W. (E. R. Nicholson), London.
 Rose, R. F. (J. L. Rose), Derby.
 Rose, R. H. (R. Kettle), London.
 Rosenberg, A. R. (G. S. Elliott), Goldarning.
 Ross, A. M. M. (D. H. Ortmann), London.
 Ross, J. A. (R. L. Weavers), London.
 Ross, J. S. (S. J. Cowey), Sunderland.
 Rothwell, P. (J. Longthorn), Great Harwood.
 Rourke, J. N. (R. Kettle), London.
 Rowan, T. S. (J. G. Ash), London.
 Rowbotham, C. G. (H. O. H. Carlson), London.

Rowland, M. L. (J. H. L. Davies), London.
 Rowlett, R. A. (R. Cullen), Leicester.
 Rowson, R. M. De C. (P. L. Neild), London.
 Ruffy, M. J. (L. H. F. P. Pinhorn), London.
 Russell, A. (L. H. Bloch), London.
 Russell, A. N. (D. H. E. Kahn), London.
 Russell, D. J. (T. Howorth), London.
 Russell, E. W. (M. Coyne), Weymouth.
 Russell, J. A. (W. B. Hall), Hull.
 Rust, J. O. (J. A. Crisp), Newcastle upon Tyne.
 St Leger, P. A. (A. W. S. Tabernor), London.
 Salter, K. H. (T. D. Jenkins), London.
 Sapte, P. F. (M. Moore), London.
 Sardharwala, E. B. (M. Felton), London.
 Saunders, E. (R. W. Cross), Southampton.
 Sayers, J. J. (L. H. Davies), London.
 Scarborough, T. W. W. (A. L. Poole), London.
 Schanschiff, S. G. (B. A. Schanschiff), Northampton.
 Schuman, N. (L. Fialko), London.
 Scofield, R. C. (S), London.
 Scott, J. W. A. (J. W. Margetts), London.
 Scott Brown, R. C. (G. P. Stevens), London.
 Searight, W. L. (M. A. Brown), Bath.
 Serkin, S. (S. M. Lever), London.
 Sethi, K. K. (E. N. Jacobs), London.
 Shah, S. C. (T. H. Ellis), Nottingham.
 Shakoor, A. (G. D. Vicary), London.
 *Sharp, M. J. (M. S. Beavan), London.
 Shawcross, J. E. (A. Holmes), Manchester.
 Shepherd, D. C. (E. A. Dent), Cambridge.
 Shepperd, R. E. (P. E. Huber), London.
 Sherborne, W. H. J. (B. F. Wheller), London.
 Sibley, J. R. (E. R. Nicholson), London.
 Siddiqui, K. A. (E. H. Leigh), London.
 Siddiqui, M. A. (R. A. Wood), London.
 Silcock, G. J. G. (S), Nairobi.
 Simmons, B. W. (T. D. Redhead), London.
 Simpson, R. L. (J. W. Fawdry), Portsmouth.
 Simpson, T. C. F. (L. Parker), London.
 Skae, J. R. (J. S. Udall), Stoke-on-Trent.
 Slater, P. (S. Snowball), Leeds.
 Sleight, G. C. (H. A. Nock), Dudley.
 Slomovic, C. (M. Bier), London.
 Smallpeice, C. P. (A. K. Sheppard), Norwich.
 Smart, L. J. (R. F. Gibson), Launceston.
 Smith, A. L. (D. A. Thornley), London.
 Smith, A. W. H. (T. A. MacFarlane), Liverpool.
 Smith, D. J. (J. W. Smith), Stafford.
 Smith, D. T. (J. D. W. Marle), Bristol.
 Smith, H. M. (F. G. Peacock), London.
 Smith, J. G. (J. A. P. Lowe), Wigan.
 Smith, K. A. (J. H. Girdwood), London.
 Smith, M. J. (J. B. Harrison), Grimsby.
 Smith, N. P. (A. R. Tyler), East Grinstead.
 Smith, P. J. (P. H. Dyer), Bristol.
 Smith, R. (W. Saxelby), London.
 Smith, S. J. (D. W. Newman), Swindon.
 Smith, W. J. G. (W. H. Bowles), London.
 Somers, P. E. (A. G. Beddingfield), Sheffield.
 Somerville, M. J. B. (F. B. Proctor), London.
 Spiking, R. T. (J. B. Nilson), St Albans.
 Spofforth, I. J. R. (R. F. Sumner), London.
 Spowage, T. (C. J. White), Nottingham.
 Spring, M. (J. E. K. Clarke), London.
 Squire, P. J. (B. Arnold), Watford.
 Steele, D. A. (A. K. Gill), Leeds.
 Stevenson, A. J. (E. N. Macdonald), Liverpool.
 Stonehouse, R. (R. G. Leach), London.
 Stoner, D. J. (R. G. O. Rew), Horsham.
 Stones, R. E. (N. F. C. Willey), London.
 Strover, J. Y. R. (C. C. L. Randall), London.
 Strudwicke, B. D. (F. Nash), Kettering.
 Sugden, D. P. (G. W. Roberts), Bradford.
 Sullivan, C. R. (L. A. Fudge), Bath.
 Sullivan, T. F. (E. L. Phillips), London.
 Summers, R. (E. N. Jacobs), London.
 Syckelmoore, P. F. W. (B. J. M. Boys), London.
 Sykes, P. C. (W. Mills), London.
 Sydenham, R. W. (A. E. Limehouse), Rugby.
 Tanner, J. A. (C. P. Barrowcliff), Middlesbrough.
 Taylor, D. F. (L. H. Stewart), Manchester.
 Taylor, G. D. (R. J. Eveleigh), Brighton.

* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Taylor, J. B. (H. B. Kilvington), West Hartlepool.
 Taylor, K. J. (D. A. Jacobs), London.
 Taylor, M. B. (J. W. Pickard), London.
 Taylor, M. G. (F. W. English), London.
 Tempest, D. E. (G. D. Verity), Bradford.
 Terriere, S. M. (S), London.
 Terrill, C. J. (L. A. Ward), London.
 Terry, M. D. (S. Snowball), Leeds.
 Tetley, M. B. (J. A. Greenacre), Birmingham.
 Thom, P. R. (B. W. Graves), London.
 Thomas, J. E. (S. Woolven), Liverpool.
 Thomas, M. C. (J. D. R. Jones), Newport, Mon.
 Thomas, R. F. (H. P. Patterson), London.
 Thompson, G. E. (D. B. Ward), Newcastle upon Tyne.
 Thraves, A. (T. Hudson), Scarborough.
 Tidmarsh, A. C. B. (G. B. Judd), London.
 Tidmarsh, J. S. C. (F. L. Moore), London.
 Toll, J. E. (H. P. Green), London. (*Plender Prize for the paper on General Commercial Knowledge*).
 Tomlinson, K. J. (G. G. Simmons), Redhill.
 Toogood, D. V. (J. S. W. Bernard), Bristol.
 Topps, D. M. S. (G. N. Taylor), Newcastle upon Tyne.
 Townsend, G. (J. K. Patrick), Sheffield.
 Tucker, D. A. (J. Birkett), Bristol.
 Turnbull, J. C. (M. E. Hatch), London.
 Turner, B. J. A. (D. W. Stirling), Birmingham.
 Turner, C. C. (T. R. Cubitt), London.
 Turner, C. J. G. (F. C. S. London), London.
 Twena, E. N. (S), London.
 Tyson, D. W. (D. R. Fendick), Manchester.

Uddin, M. M. (T. R. T. Bucknill), London.
 Uku, B. J. A. (S. E. Boler), Sheffield.
 Urquhart, A. V. (R. G. Leach), London.
 Usher, R. F. (B. E. Basden), London.

Varley, P. (E. M. Smith), Baldock.
 Varley, R. G. (D. Shor), London.
 Veal, P. J. (D. J. Ironside), Bristol.
 Vijayaratan, K. (M. Bennett), London.
 Vithlani, A. K. (F. Yarwood), Horley.
 Vokes, H. M. (B. R. Hartley), Nottingham.
 Voller, M. L. (C. I. Bostock), London.

Wadsworth, G. (F. J. Fullerton), Leeds.
 Wakelin, J. (H. J. Gittos), Birmingham.
 Walkden, G. R. (T. H. Parker), Manchester.
 Walker, C. A. (M. B. Hancock), Birmingham.
 Walker, P. J. (J. L. Wannan), London.
 Walker, R. D. (W. G. Ponter), Birmingham.
 Walker, T. J. (J. F. Parrott), London.
 Walsh, B. S. (P. J. Fogden), London.
 Walsh, G. R. (D. V. House), London.

826 Candidates passed.

Walton, T. H. R. (J. W. Berriman), Middlesbrough.
 Ward, D. B. (F. H. Pickering), Birmingham.
 Ward, I. J. (N. McLaren), London.
 Warren, P. C. F. (W. E. Carnelley), London.
 Watson, J. L. (D. W. Pursglove), Bradford.
 Watson, R. S. (W. B. Whipp), Manchester.
 Weatherby, A. J. (S), London.
 Weatherby, D. G. (S), London.
 Webb, J. D. (F. H. Cropp), London.
 Webb, J. C. R. (J. Godfrey), London.
 Weekes, M. J. W. (H. G. P. Greenwood), London.
 Weiss, H. A. (B. V. Morris), London.
 Welch, D. J. (H. E. Marshall), Portsmouth.
 Wells, V. A. de H. (M. H. Green), Southampton.
 Welton, P. A. (R. A. Eccleston), Manchester.
 West, R. E. M. (G. R. Smith), Grimsby.
 Whatley, D. V. (R. A. Edwards), London.
 Wheeler, M. R. (A. B. Ramsden), Aylesbury.
 Wheeler, P. K. (H. G. Sergeant), Hull.
 White, J. S. M. (E. D. Jehring), London.
 Wickham, S. T. (J. D. Russell), London.
 Wigglesworth, A. (T. E. Pickles), Selby.
 Wilkins, B. B. (H. J. C. Dawes), Worcester.
 Wilkinson, H. R. (Sir William S. Carrington), London.
 Wilkinson, J. R. (H. V. Clayton), Manchester.
 Wilkinson, M. J. (C. E. Corney), Birmingham.
 Wilkinson, S. A. (Miss) (J. S. Black), London.
 Williams, P. J. (R. S. Chapman), London.
 Williamson, J. D. (E. R. Nicholson), London.
 Willis, M. C. (D. A. Roberts), London.
 Wilson, D. C. (A. H. Farquhar), London.
 Wilson, F. F. (D. Winter), London.
 Wilson, G. (S. Hague), Liverpool.
 Witherington, P. J. (H. J. Anderson), Birmingham.
 Wood, D. H. (R. C. Pearson), London.
 Wood, H. G. (C. H. W. Powell), London.
 Wood, R. B. S. (W. L. Richardson), Birmingham.
 Wood, W. H. L. (R. P. Winter), Newcastle upon Tyne.
 Woodrow, J. G. (O. Furnival-Jones), London.
 Wort, B. P. (W. T. Humphreys), Birmingham.
 Wright, D. (N. D. Ednie), Bedford.
 Wright, G. F. D. (R. S. Yates), London.
 Wright, J. M. (C. A. Brisley), London.
 Wright, M. D. (D. H. Rooke), London.
 Wright, M. J. (M. W. Burrough), Bridport.
 Wright, P. J. (G. Talfourd-Cook), Reading.
 Wright, R. V. A. (S. A. Letts), London.

Yeadon, J. R. (D. G. Gordon), Bournemouth.
 Young, R. V. (G. N. Knowles), Winchester.

Zabell, B. N. (W. Hepburn), London.
 Zuberi, A. A. (I. M. Woolf), London.
 Zweigenthal, H. G. (R. Kettle), London.

960 Candidates failed.

PRELIMINARY EXAMINATION

Held on November 10th, 11th, 12th and 13th, 1959.

Full List of Names of Successful Candidates (in alphabetical order)

Atkin, D. G., Manchester.

Beaumont, J., Ashton-under-Lyne.
 Black, J. D. W., Woodford Green.
 Browning, G. F., Lydbrook.

Carter, J. M., Liverpool.
 Clarkson, R. E., Liverpool.
 Coleman, M. A., London.
 Cooke, J. A., Cheedle Hulme.
 Cox, N. B., Burton-on-Trent.
 Crabtree, J. M., Bradford.

Delamare, R. E., London.
 Dickin, B., Cheadle.
 Dunn, C. A., London.

Ennis, I. A., Edgware.
 Evans, D. W. P., Morden.
 Evans, G. L., Birmingham.

Falkingham, A. R., Preston.
 Feather, D. W., Keighley.

Griffiths, J. R., Oswestry.

Hand, A. R., Bury St Edmunds.
 Harris, R. C., Kingston upon Thames.
 Hart, J. T. L., Sutton Coldfield.
 Hasler, M. F., London.
 Hayes, A. N., London.
 Hearne, A. T., London.
 Heath, P. J., Bridgwater.
 Hector-Jones, P. H., Chalfont St Peter.
 Hill, J. R., Beaconsfield.
 Hond, B. A., New Barnet.
 Hothersall, A. G., Southport.
 Howell, M. R. A., London.
 Huish, I. F., Droylsden.

Joyce, M. A., Horsham.

Lea, J. E., Tonbridge.
 Lee, D. L. C., Southport.
 Lumb, C. F., Liverpool.
 Lyons, R. G., Brighton.

McCormick, A. P., West Bridgford.
 McMeekin, D. C. G., London.
 Markinson, M., London.
 Marshall, R. S., St Mary Cray.
 Martin, J. A. W., Thundersley.
 Meikle, P., Walton-on-the-Naze.

Newman, M. J., Little Stukeley.

O'Conner, J. P., Sheffield.
 Olivo, J. E., London.

Passingham, R. J., Fleet.
 Peck, E., Redbourn.
 Periton, N. M., Richmond, Surrey.
 Plummer, D., London.

Pratt, C. D., Brighton.
Press, P. L., Harrow.
Preston, M. E., London.
Purnell, J. M., Cowplain.

Rahman, S. Q. M. A., London.
Renshaw, R. A., Bournemouth.
Robinson, R. E., Liverpool.
Rowlands, D. J., London.
Rowlandson, A. F. L., London.

Saywood, B. J., London.
Serlin, P. J., East Barnet.
Sumner, R., Hesse.
Sutherland, N. C. A., Shoreham-by-Sea.
Sutton, N. K., Derby.

Tanner, B. C., Cardiff.
Taylor, R. W. G., Epsom.
Temple, J., Abingdon.
Towell, R. D., Cobham.

Travers, B. P. G., London.

Vaughan, E. C., Welling.
Vincent, C., Poulton-le-Fylde.

Walmsley, D., Blackburn.
Ward, K. M., Birmingham.
Wright, M. G., Bury St Edmunds.
Wright, T. C., London.

Zampelas, H. M., London.

Deloitte Prize for the year 1959.
Chippington, Alan Kelly (London).
(May 1959 Preliminary Examination)

76 Candidates passed.

124 Candidates failed.

Summary of Results

					<i>Final</i>	<i>Intermediate</i>	<i>Preliminary</i>	<i>Total</i>
Candidates Successful	..	..	..	..	673	826	76	1,575
Candidates Failed	..	..	..	..	723	960	124	1,807
Candidates Sat	..	..	..	..	1,396	1,786	200	3,382

EXAMINATIONS OF THE SOCIETY OF INCORPORATED ACCOUNTANTS

(In Voluntary Liquidation)

The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, and The Institute of Chartered Accountants in Ireland, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Intermediate and Final examinations of the Society in November 1959.

FINAL EXAMINATION

(Names of Successful Candidates)

1. Candidates for membership of The Institute of Chartered Accountants in England and Wales.

Addison, R. (W. B. Hall), Hull.
Agutter, I. H., London.
Alalade, E. D., London.
Allanson, K. (S. Dent), Stockport.
Allman, G. E. (W. H. Hill), Manchester.
Attwood, H. G., London.

Banks, P. D., Leeds.
Barlow, G.-R., Brussels.
Beattie, A. (G. P. Rumney), Settle.
Bell, N. W. (S. Croudson), Leeds.
Bennett, R. W., Birmingham.
Benson, W., Buxton.
Beynon, R. J. (A. W. L. Sleemans), Swansea.
Bradley, P. R., Madrid.
Brand, R. A. H., London.
Bray, M. (R. Cullen), Leicester.
Bromfield, A., Hull.
Brunton, T. E., Hull.
Buckley, P. D. (J. McIntyre), Stockport.
Budd, J. D., London.
Burdett, J. (C. H. Pettitt), Northampton.
Butcher, D. J. (S. H. Buxton), Manchester.

Carter, J. P. (A. R. Terry), Uckfield.
Cheshire, D. (Miss), (Miss M. Sinclair), London.
Church, R. F. (R. Cairns), Leicester.
Coghill, A. E. (J. F. Glenister), London.
Cohen, L. (L. D. Rose), London.
Conroy, A. (I. Field), London.
Conway, T. J., Newcastle upon Tyne.
Cook, E. (R. A. Douglas), Manchester.
Coppertwaite, D. J. (H. Payne), Bournemouth.

Cowin, R. W., Douglas, I.O.M.
Cox, H., London.
Critchley, R. F. V., Newton Abbot.
Croft, R., Newport, I.W.
Cropper, F. (H. B. Brown), Manchester.

Dale, A. J. (D. H. McGregor), Sutton Coldfield.
Darnell, E. P. G. (L. H. Francis), Bexhill.
Davies, J. W., London.
Davies, M. F. (A. J. Pedley), London.
Day, L. H., London.
Duggan, B. A., Liverpool.

Easterbrook, D. E. C., Sidmouth.
Ely, P. G. (R. Bentley), Southampton.
Evans, D. A. (H. W. Pople), Liverpool.

Farrant, L. J. (L. R. Treen), London.
Fielding, M. R. (I. P. Gill), Barnoldswick.
Fleming, R. R. (F. Adams), London.
Forshaw, D. J. (A. Loveridge), Southport.

Gascoigne, G. (J. W. Richardson), Sheffield.
Gay, M. J. (J. D. W. Marle), Bristol.
Gibbons, J. J. (J. C. Fields), Doncaster.
Golding, J. H., Beaconsfield.
Gray, B. L. (J. W. Richardson), Sheffield.
Grennall, J. H., Solihull.
Gunnell, J. L., London.
Gyi, M. T., London.

Haddon, D. (D. Sirkin), Leicester.
Hall, P. W. (W. A. Rawlinson), Bradford.

Hamburger, C. (G. M. Bickerton), Manchester.
Hardacre, K., Bury.
Harrop, P. E. M. (W. E. Hunter), Colwyn Bay.
Hatfield, J., Goole.
Hawkins, J. D. (W. F. Masters), London.
Hawley, D. (F. Fuller), Ripley.
Heath, F. J. (A. J. Paul), Redruth.
Hill, J. (H. W. Pratt), Wellingborough.
Hirst, A. C. (T. W. Dresser), Leeds.
Homer, B. J., Birmingham.
Howard, K., Blackburn.

Jameson, A. R., Petersfield.
Jones, C. I. (F. Maynard), Newcastle upon Tyne.

Keen, E. K., Weston-super-Mare.
Keen, J. E. (J. M. Davis), Canterbury.
Keens, P. P. (P. F. Keens), Luton.
Kelham, M. R. (F. W. Doleman), Leicester.
Kempton, P. A. (W. D. Menzies), Kingston upon Thames.
Kenny, T. M., Manchester.
Kidney, J. E. H., London.
Kirkwood, J. (G. M. Dowrick), Colchester.

Leader, J. A. (J. F. Mullen), Liverpool.
Line, L. A., London.
Long, P. L. (D. D. Rae Smith), London.
Ludley, D., Middlesbrough.
Luscombe, W. G., London.

Machin, R. T. (J. K. Douglas), Liverpool.
McKenna, J. M. (Miss) (J. B. Bland), Ilford.
Mallery, A. A. (R. W. Wheeler), London.
Maple, F. J., London.
Marley, W. K., Middlesbrough.
Marsden, K. A., Birkenhead.
Massey, J. M. (F. L. Duck), London.
Maudsley, H. W. (J. H. Ashworth), Burnley.
Maughan, C. (K. W. Oxley), Bradford.
May, K. S. (G. C. Salisbury), Woodbridge.
Miller, A. (G. N. Taylor), Newcastle upon Tyne.
Miller, A. D. (F. R. Hews), Worthing.
Miller, C. (H. Stewart), Sunderland.
Mitchell, J. W. H. (W. J. Fooks), Cardiff.
Moon, G. (N. L. R. Trounce), Barrow-in-Furness.
Morgan, D. L. (A. C. Tooke), London.
Morley, J. W. (J. B. Carter), Nottingham.
Morris, E. S. (F. E. Jeffs), Neath.
Murgatroyd, P. J., London.
Myers, K., Newcastle upon Tyne.

Neal, T. J. (E. G. Shearing), Truro.
Newell, A. (J. E. L. Griffiths), Maidenhead.

O'Grady, R. J. (A. J. Naylor), Leeds.

Park, D. (J. V. Baines), Stockton-on-Tees.
Pateman, A. D. (A. C. H. King), London.
Peverley, B., Sunderland.

Pond, A. W. G., Yeovil.
Powell, J. J., Stroud.
Pugh, D. J. (A. S. John), Pontypridd.

Randall-Wood, D. W. (R. N. Russell), London.
Ray, D. F. (D. R. Fendick), Manchester.
Redding, D. T. (J. D. R. Jones), Newport, Mon.
Reeves, A. S. (H. C. Fooks), Cardiff.
Reeves, K. L. (G. R. Eaton), Leicester.
Robertson, R. R. (F. W. Doleman), Leicester.
Robinson, J. M. (V. J. H. Harris), Northampton.
Rolfe, B. R., London.
Rosling, E. J. (N. L. R. Trounce), Manchester.
Rowland, R. C. F. (E. T. Denton), Liverpool.
Russoff, C., London.
Ryan, D. (D. Morgan), London.

Sarkari, N. P. D., London.
Scarlett, J. A. (R. W. Wheeler), London.
Shankland, D. (C. H. Shankland), Cardiff.
Shaw, H. (A. Clarke), Manchester.
Sheahan, D. T., London.
Simms, R. H., Coventry.
Smith, C. G., Exeter.
Smith, D. J. (P. Cardwell), Sheffield.
Spencer, S., Gainsborough.
Staines, K. A. B., Kettering.
Stather, C. (F. C. Beaumont), Pontefract.
Stokes, M. E. J. (H. J. H. Leopard), Worcester.
Stokoe, J. E. (W. W. Atkinson), Newcastle upon Tyne.
Sullivan, D. M. (L. R. Elcombe), London.
Sutton, B. H. (T. H. Sutton), Southport.
Sutton, L. M., London.

Taylor, K. H. (H. Parsonage), Chester.
Thewlis, M. A. (H. Hardy), Wakefield.
Thomas, D. A., Carmarthen.
Thomas, J. M., London.
Thompson, H. J., Barking.
Thompson, K. M., Barrow-in-Furness.
Tighe, A. F. (A. W. McBride), Middlesbrough.
Tinker, A. (C. Mourant), London.
Troubridge, J. P. (A. W. Cockerill), London.
Tuohy, J. C. (E. J. Wade), London.
Turner, R. T. (V. H. Wade), London.
Tymms, R. N. (C. H. Bryant), London.

Ward, P. J. (R. G. Kirkpatrick), London.
Webb, V. E. (L. Booth), Witney.
Weinberg, G. G. (L. D. Rose), London.
Wheeler, G. J., London.
White, A., Doncaster.
Whitham, R. (F. W. Etchells), Huddersfield.
Wilby, D. E. (R. D. Lea), Leicester.
Wiles, R. S. (A. W. Frankson), Southall.
Wilkes, D. L. (S. R. Hayes), Ludlow.
Williams, S., Wallasey.
Wood, J. W., London.
Wright, A. J., Northampton.

2. Candidates for membership of The Institute of Chartered Accountants of Scotland.

Buttar, A. M. (Alex M. Shaw & Co), Glasgow.

Mitchell, W. (James Condie & Co), Dunfermline.

3. Candidates for membership of The Institute of Chartered Accountants in Ireland.

Boyd, A. L. (formerly with R. Bell (deceased)), Belfast.
Cruise, D. G., Belfast.
Falls, A. H. (M. W. Heanen), Belfast.
Glover, J. S. S. (M. Bell), Dublin.
Heaslip, J. M. (E. W. Heaslip), Cork.
Henderson, D. N. (S. O. Forster), Dublin.

Heraghty, M. A., Dublin.
Hyland, J. B. (J. Kirby), Cork.
Keogh, T. J. (J. A. Dempsey), Dublin.
King, R. S., Belfast.
Shaw, D. J. (M. W. Heanen), Belfast.
Stewart, N., Belfast.

Summary of Results

		Passed	Failed	Total	Completing Examination
Intermediate	.. .. .	76	143	219	76
Final					
Parts I and II together	.. .. .	4	1	5	4
Part I only	.. .. .	*56	42	98	4
Part II only	.. .. .	**173	113	286	172

* Includes four candidates who sat for both Parts of the Final examination and passed in Part I only.

** Includes one candidate who sat for both Parts of the Final examination and passed in Part II only.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Results of Examinations held in November 1959

The places and prizes in the Final examination have been awarded on the combined results of both parts where the concluding part has been passed in either May 1959 or November 1959.

FINAL EXAMINATION

First Place, Arthur Collins Memorial' Gold Medal and the Institute Prize of £10 10s

Jasper, Cyril Charles, Comptroller's Department, London C.C.
(Passed Part B in May 1959 and Part A at a previous examination.)

Second Place and Prize of £5 5s

Gatell, Norman Gerald, Borough Treasurer's Department, Bilston.
(Passed Part B in November 1959 and Part A at a previous examination.)

Third Place and Prize of £3 3s

Sherry, Gordon Frederick, Borough Treasurer's Department, Swindon.
(Passed Part B in November 1959 and Part A at a previous examination.)

Fourth Place and Prize of £2 2s

With, Raymond, County Treasurer's Department, Hertfordshire.
(Passed Part A in November 1959 and Part B at a previous examination.)

Awarded the 'Electricity' Prize of £6 6s for the highest marks of candidates from the Electricity Supply Industry
Simpson, Roy, Accountant's Department, Mansfield and North Nottinghamshire Sub-Area, East Midlands Electricity Board.
(Passed Part B in November 1959 and Part A at a previous examination.)

PART A

Awarded the 'John Elliott Memorial' Prize of £10 10s for Advanced Accountancy

Barrington, Elizabeth Mary, Comptroller's Department, London C.C.
(Passed Part A in May 1959.)

Awarded the 'Philip Haves Memorial' Prize of Books to the value of £10 10s for Local Government Finance

Gillard, Bernard Anthony, Comptroller's Department, London C.C.

Ammann, B. C., Watford B.	Commander, M. J., Buckinghamshire C.C.	Gillard, B. A., London C.C.
Baldwin, S., Scarborough B.	Davidson, D. I., Gloucestershire, C.C.	Goodfield, M. H., Neath B.
Batty, M. C., Dewsbury C.B.	Davis, M. N., West Bromwich C.B.	Gotch, J. K., Hemel Hempstead B.
Beckett, P. J., Maidenhead B.	*Duffy, C. J., Worsley U.D.C.	Granger, K. W., Exmouth U.D.C.
Bircher, S., Chesterfield R.D.C.	Ede, P. M., Hendon B.	*Griffin, N., Royal Bucks and Associated H.M.C.
Bowker, R., Barrow-in-Furness C.I.	Else, D. M., Boston B.	Guy, W. A. F., Greenock.
Bray, G. F., Cardiff C.B.	Evans, L. V., Coventry C.B.	Heys, L., Burnley C.B.
Bridger, J. V., Swansea C.B.	Evison, J., Lincolnshire C.C. (Lindsey).	*Hughes, J. V., Newport (Mon.) C.B.
Brown, B., Ministry of Housing and Local Government.	Ewart, S. E., Liverpool C.B.	Hunt, J. P., Coventry C.B.
*Brummitt, C., Oxford C.B.	Fielding, F., Accrington C.B.	Jones, D. C., Kingswood U.D.C.
Burton, R. G., Twickenham B.	Foulds, B., Leigh B.	Kemp, C. F., Winchester B.
Butler, P. J., West Bromwich C.B.	*Fox, A., Stratford upon Avon B.	Kirkland, D. W., Staffordshire C.C.
Clarke, I. J., Brownhills U.D.C.	Freeman, E. S., Shoreditch B.	

*Passed Part B (or Part 1) at a previous examination.

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

- *Maddowell, A. A. H., Manchester C.B.
Mackenzie A. G. (Miss), Bridport B.
Mattinson, A. W., Lancashire C.C.
McCabe, L., Hendon B.
Meakin, B., Sheffield C.B.
Mulholland, J. T., Manchester College of Science and Technology.
- *Newman, A. J., Wimbledon B.
Norton, I. W., Orpington U.D.C.
- Ong, H. S., Wallasey B.
- Posthill G. R., Newcastle upon Tyne C.B.
*Preen, A. F., Battersea B.
Prescott, E., Manchester C.B.
Price, G. U., Birmingham C.B.
- Quantick, M. J. le P., Ministry of Housing and Local Government.
- Rickman, G. H., Winchester B.
Rotherham, C., Ellesmere Port B.
- Samuel, D. H., Aberdare U.D.C.
Scott, N., Luton B.
Seed, D. W., Coventry C.B.
Setchfield, K. J. W., Glamorgan C.C.
Shapton, L. F., Swansea C.B.
Shelton, R. J. W., Leicester C.B.
Squire, A., Kensington B.
Starling, E. G. B., Essex C.C.
*Stephenson, R. B., Dorset C.C.
Stevenson, B. S., Hertfordshire C.C.
Stone, R. I., Totnes B.
- Talbot, P. A., Tewkesbury B.
Thomas, J. D., Swansea C.B.
Thompson, S. M. (Miss), Liverpool C.B.
Tink, J. T., Surrey C.C.
Trenowden, J. H., Coulsdon and Purley U.D.C.
*Tully, L. F., Bristol C.B.
Turnbull, K. J., Yorkshire (East Riding) C.C.
- Ward, M. P., Essex C.C.
Waters, W. C., Kirkby U.D.C.
Webber, K. J., Woking U.D.C.
Wilson, R. J. E., Worcester B.
*Wirth, R., Hertfordshire C.C.
Wolstenholme, R., Stretford B.
Wood, T., Barnsley C.B.
*Wray, J. A., Darlington District H.M.C.

* Passed Part B (or Part 1) at a previous examination.

PART B

Awarded the President's Prize of £5 5s for the highest marks in Part B

† Jasper, Cyril Charles, Comptroller's Department, London C.C.

Awarded the 'G. A. Johnston (Dundee)' Prize of £3 for Statistics

† Gardner, Reginald Anthony, City Treasury, Plymouth (now County Treasurer's Department, Somerset).

† Passed Part B in May 1959.

- *Allen, R., Bradford C.B.
- *Balchin, N., Tunbridge Wells R.B.
*Ball, M. A., Leeds C.B.
*Benson, R. H., Normanton U.D.C.
*Blakey, L. T., Hebburn U.D.C.
*Brooke, F., Yorkshire (West Riding) C.B.
- *Catmull, J. R., Shoreditch B.
*Chaplin, D. A., Corby U.D.C.
*Collin, K. S. C., Essex C.C.
*Craddock, H. W., Portsmouth. C.B.
- *Davies, G. E., Manchester C.B.
*Dootson, J. J., Manchester C.B.
- *Ellis, O. D., Louth B.
*Eltringham, R. D., Solihull B.
*Eves, D. J., Colchester Group H.M.C.
- *Farmer, R., Wellington (Salop), U.D.C.
French, R. D. C., New Forest R.D.C.
- *Gatrell, N. G., Bilston B.
- *Hackett, L., Liverpool C.B.
Hamer, D., Glamorgan C.C.
*Hawker, A. T., Tiverton R.D.C.
*Howell, S. R., Beckenham B.
- *Jakeman, H. J., Northants C.C.
James, G. A., Coventry C.B.
- Kershaw, P. B., Hendon B.
- *Livingston, D., Glasgow.
*Mackintosh, D. I., Mansfield B.
*Marsh, W. A., Oxfordshire C.C.
*McManus, J. F., Solihull B.
*Morris, N., Newtown and Llanllwchaearn U.D.C.
*Morriss, A. R., Golborne U.D.C.
*Mowat, J. G., Eastbourne C.B.
- *Nicholson, A. J. S., Sheffield C.B.
- *Page, H. J. P., Southgate B.
*Parker, G. J., Bridgwater B.
*Patten, L. E., Lambeth B.
- *Payne, J. R., Peterborough B.
*Postles, J. H., Berkshire C.C.
*Pritchard, N., Manchester C.B.
- *Regan, D. J., Leyton B.
*Rhoades, E. A., Twickenham B.
*Roberts, H., West Bromwich C.B.
*Ross, M. L., Middlesex C.C.
- Shackleton, D. I., Oldham C.B.
*Sherry, G. F., Swindon B.
*Simpson, R., East Midlands Electricity Board (Mansfield and North Notts Sub-Area).
*Sims, D. W., Coventry C.B.
- *Thomas, I., Worcestershire C.C.
*Townsend, F., Derbyshire C.C.
- *Watson, K. A., Stafford B.
*Wee, K. K., Singapore.
*Whiting, G. H., Surbiton B.
*Wileman, P. A., Chesterfield B.
*Wilkinson, T. J., Kiveton Park R.D.C.
*Woodman, S. J. B., Portsmouth C.B.

* Passed Part A at a previous examination.

Summary of Results

	Intermediate		Final Part A		Final Part B		Total	
	No.	per cent	No.	per cent	No.	per cent	No.	per cent
Passed	94	37	80	36	55	41	229	38
Failed	158	63	141	64	78	59	377	62
	252		221		133		606	

MOTOR — FIRE — CONSEQUENTIAL LOSS

CAR & GENERAL INSURANCE CORPORATION **L^{TD}**

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Inland Revenue Report

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THE Inland Revenue report for the year 1958-59¹ shows the total charge to Inland Revenue duties raised in that year at £3,745 million, of which £2,981 million was income tax. Surtax accounted for a mere £195 million but even that was more than death duties at £190 million. Profits tax (£308 million) and stamp duties (£67 million) accounted for all but a tiny fraction of the remainder. These were the charges raised in the year. Of the total, £106 million had already been discharged or remitted by the end of the year, mostly in the field of income tax. It is estimated that a further £267 million will eventually be discharged or remitted, and another £350 million repaid. Income tax collected in 1958-59 was £2,318 million, with surtax producing another £166 million.

The time-lag in much tax collection is emphasized by the receipt of over £2 million in excess profits tax, although this tax terminated at the end of 1946. Small amounts of legacy and succession duties, as well as special contribution, continue to be collected. A scheme for the gradual abolition of land tax was introduced in 1949 and, in the ten years which have followed, the net receipt has fallen from over £446,000 to about £231,000. Voluntary redemptions fell from 1,321 in 1957-58 to 395 in 1958-59; compulsory redemptions rose from 13,141, to 15,889. For war damage contribution actually more was received in 1958-59 than in 1957-58. The net receipt of corporation duty fell from £157,241 to £152,375. Commenting on the low yield of this tax in our review of last year's report, we questioned whether it was worth while retaining the machinery for assessing it. It was therefore gratifying to see its abolition in the Finance Act, 1959.

One wonders at the force of inertia which makes the Government cling to the obsolete and anomalous Schedule B. Of course the necessity for special provisions in relation to woodlands used for the production of timber is not questioned, but these could just as well be contained in the Schedule D provisions, where they would be more appropriate. The net product of Schedule B, even including woodlands assessed under that schedule, is only £100,000.

The report makes no mention of the case of *Commissioners of Inland Revenue v. Hinchy*² when the Inland Revenue suffered an adverse decision in their claim for penalties for the omission of some bank interest from a return. However, in the statistics of

¹ 102nd Report of the Commissioners of H.M. Inland Revenue for the year ended March 31st, 1959. Cmnd. 922. H.M.S.O. 8s 6d net.

² 37 A.T.C. 357.

under-assessment of profits, there is an eloquent echo of this case, for the penalties recovered in 1958-59 were only £6,792,470, as against no less than £9,495,437 in the previous year. As the case is still *sub judice* and we are already three-quarters of the way through 1959-60, the penalty recoveries for the current year promise to be even smaller. Not only was there a fall-off in penalties, the tax recovered fell by over £3½ million, although this may be through the operation of the law of diminishing returns. The recoveries made by district inspectors in small cases fell from £894,139 to £828,264, but the number of cases was only slightly less. The report says that these back duty figures reflect the impact of the Finance Act, 1951, which gave the Inland Revenue power to obtain, from banks, returns of interest paid or credited, where the amount exceeded £15 per annum. This gave rise to a very large number of back duty cases, not only in respect of tax on the interest itself, but also on undisclosed profits, the existence of which was brought to light by investigations into the source of the bank deposits producing the interest. It may well be possible that when the departmental staffing position permits, the power will be extended to cases where the interest is less than £15.

In comparison with the number of back duty cases, the figures for criminal prosecutions are extremely small. There were nine prosecutions, all successful, for making false accounts or returns of income; and fifty-four (also all successful) for making false claims to personal allowances or for expense deductions. The aggregate total of prosecutions was eighty-three, all but three being successful. Of the remaining three, one was abandoned because of the ill health of the defendant.

In the Valuation Branch, there was a remarkable fall in the number of valuations for the purpose of stamp duty, of property transferred by way of voluntary disposition *inter vivos*. The figure for 1958-59 was just under 10,000, against over 15,000 in each of the two previous years. It will be recalled that in 1958, gifts (as well as sales) of property (other than shares and marketable securities) were exempted from stamp duty if they did not exceed £3,500 in value. The cost of collection of such duty in these small cases is no doubt very high in relation to the amount of duty, and bearing in mind the

saving in the cost of these unremunerative valuations, the net cost of the exemption to the Exchequer was probably very small. The net receipt from stamp duties was far in excess of the Budget estimate, and will certainly be even higher in the current year, in view of the tremendous turnover in shares before and after the election.

The Valuation Office is also responsible for the preparation and maintenance of 1,470 valuation lists for rating in England and Wales. The third year of the new valuation lists prepared under the Local Government Act, 1948, opened with 205,297 proposals by 'aggrieved persons' outstanding, and during that year a further 61,096 proposals were received. Most of the proposals are determined by negotiation, and of the remainder most are disposed of by local valuation Courts.

Valuation officers made 780,016 proposals, mainly in consequence of new construction or structural alterations, and these gave rise to a large number of appeals which were also settled largely by negotiation or by local valuation Courts. There were 1,504 appeals to the Lands Tribunal, and 1,160 appeals to that Court were still outstanding at the end of the year.

A new rating structure is thus becoming established and the time must soon come when the Government will have to make up its mind whether to order a general revaluation for income tax Schedule A purposes or whether to abolish that Schedule and to tax rents under Schedule D, leaving owner-occupiers untaxed.

We reproduce on another page two new extra-statutory concessions and also alterations or withdrawals of existing ones. The new concession in relation to employees' meal vouchers ends by saying that for 1959-60 and subsequent years 'the value of any voucher or part of a voucher which does not comply with these conditions is taxed'. However, in relation to these words it is well to bear in mind the opening words of the concession: 'Where meal vouchers are, in law, taxable emoluments of the employee.' It must first be established that the voucher does indeed constitute a taxable emolument, before it becomes necessary to show that it also falls within the concession. In this connection one has to bear in mind the well-worn dictum that income tax is a tax on income; subject, of course, to the provisions for taxing the benefits of directors and of employees earning £2,000 and over.

Payment of Wages by Cheque

THE Payment of Wages Bill, which has already been briefly noted in our columns, received its second reading in the House of Commons on Thursday of last week. The Bill in no way seeks to forestall the recommendations which may be expected to be made by the committee under MR DAVID KATZMEL, Q.C., appointed to inquire into and report upon the Truck Acts. As its name suggests, and as THE MINISTER OF LABOUR emphasized in moving the second reading, it is concerned only with the limited question of the way in which wages are to be paid, and its purport is to legalize certain methods of payment which the provisions of the Truck Acts at present make illegal.

The MINISTER pointed out that the principle enshrined in the Truck Acts of ensuring that the wages of workmen shall be fully and honestly paid, is fully upheld in the new Bill. Wages which are not paid in cash or in one of the permitted ways proposed in the Bill will continue to be regarded as illegally paid, and employees so paid will still have the protection of the Acts.

A number of Members greeted the Bill with criticism or at least with caution, but its terms can hardly be called revolutionary, and it is obvious that the utmost care has gone into its drafting so as to prevent any arbitrary introduction of new methods of payment, while allowing advantage to be taken of the convenience of payment otherwise than in cash when such payment is desired by the employee. The MINISTER's careful review of the history of the Truck Acts puts the Bill in its proper perspective. In particular, it is interesting to notice that the present bar on the payment of manual workers by cheque came about by a side-wind, and was not intended by the Truck Act of 1831, on which the present Truck legislation mainly rests. That Act permitted payment, with the worker's free consent, by bearer cheque drawn on a bank licensed to issue notes and situate not more than fifteen miles from the place of payment. It is only because banks in England and Wales, other than the Bank of England, are no longer licensed to issue notes that payment by cheque is at present impossible in some cases.

The Bill is essentially permissive: save in the

case of absence, no employee who cannot now be legally paid otherwise than in cash is to be forced to accept some other form of payment, nor can his employer be compelled to pay him otherwise. But if the employed person – the expression is defined with reference to artificers and others within the Truck Acts and certain kindred statutes – makes a request to that effect in writing, and if his employer agrees, wages may be paid to him by crediting his bank account with the amount due, or by postal order, money order or cheque. On or before payment the employer must give him a statement showing his gross wages, the amount of any deductions and the net amount payable. Either side may cancel the arrangement on giving to the other fourteen days' notice.

A very useful provision is included to cover cases of absence, and here no request from the employee is required. Where a person is absent from the place where he is usually paid, and his employer has reasonable grounds for believing that his absence is on account of his work or illness or injury, payment may be made by postal or money order. Such a provision seems to be wholly beneficial to the worker, who at the present time may, in the event of absence, suffer hardship by reason of difficulty in getting his pay to him.

It is intended that the provisions of the Bill should come into force in three stages. The provisions for payment during absence are to be effective one month after the Bill becomes law. Six months after the Bill becomes an Act the other provisions, except those allowing payment by cheque, come into effect. Payment by cheque is postponed until an appointed day, to be fixed by the MINISTER by Order. This procedure has been adopted because of the apprehension which has been expressed by some members of the retail trade about the demands which might be made on them if workers are paid by cheque. It is to be hoped that these fears will prove to be exaggerated, if not groundless, for surely no one can deny that it is reasonable that a man with a fat pay packet should wish to be paid by cheque and unreasonable that he should be denied payment in that manner.

Trustee Investments of Pension Schemes

by WILLIAM PHILLIPS
Author of *Pension Scheme Precedents*

THE Government—having at last taken notice of the plight of those trustees who, in the absence of express powers in the trust instrument, are limited to trustee investments prescribed thirty-five years ago (not very greatly extending the range permitted seventy years ago¹), that is to say, in an era which was so different from that in which we now live as hardly to be comprehended by anyone born much more than ten years after the beginning of the century—has issued the White Paper² setting out proposals which seem to have been formulated with no trust in mind larger than a family trust set up by Uncle Tom Cobley for the offspring of his nephews and nieces.

It is the purpose of this article to consider the case of an institutional pension scheme which, for the very reason that it reflects credit upon its founders as having been established many years ago when such schemes represented exceptional employer generosity, is limited to those same trustee investments. To avoid abstract discussion, let us take a low average case of a scheme, the Thomas Cobley Manufacturing Company's internal pension scheme,³ with an accumulated fund of £1 million, remembering that, other things being equal, the older the scheme is, the greater its fund is now likely to be.

Power of Amendment

Again, because the scheme was one of the pioneers, it is probable that its powers of amendment are much circumscribed; there may, indeed, be no powers of amendment; and even when there appear to be not very severely restricted powers, it has to be remembered that there are some changes which are considered by the Court to be so fundamental as not to be permissible unless specifically prescribed.⁴ Thus, for any one of four reasons the investment powers of our

scheme, with its accumulated £1 million, may be prima facie incapable of amendment, except by the consent of every adult member (which for this purpose includes former members who have become pensioners) and the aid of the Court if there be any minor beneficiaries.

In these columns it is not necessary to point out that if a single member of full age withholds his consent there is no hope of assistance from the Court under Section 57 of the Trustee Act, 1925, nor under the Variation of Trusts Act, 1958.

Our hypothetical scheme, then, has suffered the fate which so many old schemes have, in fact, suffered; some one (at least) member (usually of advanced age), has withheld his consent to a change, upon the drafting of which much thought and no little money has been expended. Handicapped as it has been by its limited investment powers, the scheme is drifting towards insolvency; and the irony of the situation is that the non-consenter will not live long enough to be affected by the creeping tide. It is a clear case of 'I'm all right, Jack!' Even if the actuary can contrive to invoke the solvency provisions of the scheme before the non-consenter is dead, those provisions will very likely reduce only the benefits of members still in service, it being commonly found that pensions *in esse* can only be reduced, if at all, as a last resource.

So the Government's proposals have been eagerly awaited, and doubtless are now being as eagerly scanned, by those responsible for the administration of the scheme. What, of course, they really needed was for the Government in 1946 to come forward with a clear warning that Dalton 2½ per cents would be down below 48 by 1960, and that during the intervening fourteen years the market price of equities would so very generally increase that, long before 1960 dawned, the country would be full of people who had convinced themselves that they had a heaven-sent gift which constituted them investment experts of unrivalled cleverness and unparalleled foresight, because they had achieved capital gains for themselves, or for those they had advised, during a period when they could hardly have gone wrong if they had selected the investments

¹ By the Trust Investment Act, 1889.

² 'Powers of Investment of Trustees in Great Britain'. Cmd. 915. H.M.S.O. 6d net.

³ Being old it is probably entitled by the old-fashioned phrase 'superannuation fund'.

⁴ See, for example, the *obiter dicta* of Harman, J., in *Re Tobacco Trade Benevolent Association v. Finlay & Co Ltd* ([1958] 3 All E.R. 353, at 355, G.)

by sticking pins through the front page of *The Financial Times* and noted where the holes appeared on the back page. Indeed, they might even have done better for themselves and their clients if they had adopted this procedure.

But only after fourteen weary years has any Government begun so much as to consider removing the shackles, and it remains to be seen whether the trustees of Uncle Tom Cobby will be as impressed with the attractions of the green pastures which, in the interim, they have been compelled to gaze upon longingly and unable to reach, now that irredeemable Government stocks – to take only one example of 1925 trustee investments – can be purchased to yield 5½ per cent.¹

It is not appropriate to discuss investment policy here, but bearing in mind that the Cobby Pension Scheme is likely to exist longer than Uncle Tom's trust – and much longer if the ridiculous notion that there must be a 'royal family' clause or something comparable in every pension scheme to prevent its infringing the rule of law against perpetuities, is abolished by legislation² – one might suppose that its trustees would be more likely, than would the trustees of Uncle Tom's trust, to be interested in the Government's proposals, had not those proposals been framed with only Uncle Tom Cobby in mind.

Permitted Investments

Let us assume, then, that the trustees of the £1 million fund are looking to the Government's proposals for the long-awaited relief, and that passing rapidly over mortgages on freehold property, fixed-interest securities of nationalized industries, and those issued by the International Bank, they turn their attention to (part of) sub-paragraphs (j), (k) and (l) of paragraph 4 of the Government's proposals:

- (j) any stock or shares of any company incorporated in the United Kingdom.
- (k) shares of building societies 'designated' under the House Purchase and Housing Act, 1959;
- (l) units of unit trusts authorized by the Board of Trade.

They will then have to study the conditions set out in paragraph 5 which, it is proposed, shall apply to any of modes (c) to (l) (both inclusive) and note, probably without undue concern, that under 5 (1) not more than one-half of the trust

fund may be invested under (j), (k) and (l) collectively; and further note, with greater concern, that not more than one-half of *any fresh addition*³ may be so invested, on the assumption that, as is customary in Governmental drafting, 'or' means 'and'.

But not until the trustees come to 5 (4) and (5) will they learn (what one would have thought might with greater convenience have been stated at once under 4 (j)) that equities (i) must be quoted on a stock exchange in the United Kingdom; (ii) must be stock or shares of a company whose paid-up capital is not less than £1 million; (iii) which has paid a dividend in each of the last five years.

Professional Advice

In the meantime, however, the trustees will have noticed that under 5 (3) they will be prohibited from purchasing equities, or building society shares, or trust units, except on written advice 'from a competent professional adviser such as a stockbroker, accountant, or bank manager'.

Now, without in any way deprecating the universal skill of the stockbroker, one wonders why it should be supposed that he will have troubled to become a competent adviser on the relative merits of the various permitted building societies; but at least his advice, if favourable, would be *contra proferentem*, while the bank manager, as has already been pointed out in the Press, is precluded from giving advice upon investments! The accountant may be forgiven for thinking to himself, as did each of the twenty-five men in the platoon which volunteered for a dangerous mission from which they were told that likely enough twenty-four of them would never return, 'Law, I'm going to be awful lonely!'

Without wishing to bestrew any bouquets upon one's friends in the life assurance industry, it may be pointed out that some of the oldest of our institutional pension schemes were by them established; and one wonders whether those same experts who day in and day out spend their working hours selecting investments for the ever-growing funds of their companies, will appreciate not being permitted to select investments for their office's pension scheme, but be required to ask the company's accountant to be so kind as to drop by – and not to forget to bring his pen with him. This requirement of

¹ Consols, 4 per cent and Conversion 3½ per cent, 1961 aft.

² As it has been by a majority of the States in the United States of America.

³ The difference between *fresh addition* and *not fresh* not being revealed.

written advice, by the way, applies to the whole range (d) to (l), including fixed-interest Government securities! The words 'such as' in the phrase indicating those regarded as competent advisers, do not help, for any profession which is to be included will have to be specified. One could compile a select list of types of competent investment advisers upon whose opinion it may be said, with the greatest respect, one would prefer to rely than that of *some* stockbrokers, or *some* bank managers – for instance, those actuaries and solicitors who have specialized in the study of the investment field.

Investment Limits

The best is yet to come – paragraph 5 (6). This gem prescribes that not more than one-tenth of the fund or £250, whichever is the *greater*, may be invested in any one company, or unit trust, or in any one building society. On first reading this, one had felt sure that 'greater' was a misprint for 'less', for the restriction would then have been in keeping with some of the other restrictions! As it stands it might just as well never have been written. It is too good to be true, and the writer is seized with an irresistible impulse every two or three days to look again at the White Paper to assure himself that it is still there!

Why one-tenth, which any trustee of a large fund who exercises his functions judiciously would regard as far too large a proportion, and yet £250 for the small fund, which may indeed be no larger than £500 and accordingly is to be encouraged by the Legislature to put half its eggs into one basket?

It is not for the writer to suggest what fraction should be substituted for one-tenth, but it is believed that in practice a limit of one-twentieth would be considered too high by the trustees of most large institutional pension schemes, and a limit of one-fiftieth not too restrictive. Nor does the writer consider himself competent to suggest what smaller figure than £250 would be appropriate for Uncle Tom Cobley's trust, but it may at least be said that a limit of £100 would not handicap his trustees, at any rate if the one-tenth limit were retained. What may be said with confidence is that the prescription of 'whichever is the greater' of two limits, the one a proportion and the other a fixed figure, is *utterly wrong in principle*. If any 5 (6) condition is required it should, properly, be based on a sliding scale; but as the Government would shudder at the thought of thus embarking upon the stormy seas of what

it would probably term 'higher mathematics', as a substitute for a sliding scale, bearing in mind the elementary fact that the greater the fund, the greater is the scope – as perhaps also the need – for diversification, what would be appropriate is the prescription of whichever is the *less* of (a) a proportion, and (b) a fixed sum – both figures being, of course, very different from those which at present appear in 5 (6).

Power to Gain Control of Founder's Business?

Two last indications that the Government proposals have been formulated without consideration of larger pension schemes:

(1) There is no provision to prevent a controlling interest being purchased in a particular company. A gentleman in the back row is observed to be fidgeting and is apparently desirous of making a comment! Well, sir, you surely know that there is a small number of large companies whose paid-up capital is 'not less than £1 million' which have paid a dividend, however small (and 5 (5) admits a dividend however small!), for each of the last five years, and whose shares are valued on a stock exchange at a very much smaller total than £1 million. No names, sir, no pack drill, but let us take a case, not an impossible one, where £50,000 would purchase an absolute control. Multiply this by ten, under 5 (6) as it at present stands, and you have £500,000. Multiply again, this time by two, under 5 (1), and we are back again with the £1 million fund of The Thomas Cobley Manufacturing Company's pension scheme.

(2) Paragraph 4 specifies that the proposals are 'subject to any provisions in the trust instrument . . . precluding a particular investment'. This does not seem to have been given sufficient thought; there is one school, by no means an insignificant or uninfluential school, which holds that no part of the fund of an institutional pension scheme should be invested in the stock or shares of the employing company.

In a scheme which does not at present permit the purchasing of equities there will, of course, be no 'provision . . . precluding' the purchase of the employer's stock or shares!

If now, finally, (1) and (2) are put together, it is not outside the bounds of possibility that the Government's proposals, as they stand, will in a few cases give indisputable power to an institutional pension scheme to acquire an absolute control of its founder's business.

February and the Present Calendar

by WILLARD E. EDWARDS
Originator of 'The Perpetual Calendar'

FEBRUARY has only twenty-four working days in usual years, not counting holidays, but the months preceding and following it can have twenty-seven. With a difference of $3/24$ ths or 12.5 per cent more in the number of working days in January or March, compared with February, this causes much confusion.

Employees paid by the hour thus earn considerably less in February than in January or March, nevertheless, from this reduced income they may have to pay the same monthly rent and utility bills. Conversely, employers paying employees a monthly salary may have a reduced output in February. In either case, such a short month is unfair, expensive, confusing, and entirely unnecessary.

History says February used to have thirty days in the old Roman calendar. It was then the twelfth month of the year. September, October, November and December were also in their Latin-numbered places as the seventh, eighth, ninth and tenth months.

The fifth month was a thirty-day period named Quintilis. But during Julius Caesar's reign its name was changed to July to honour Julius. However, Romans considered even-day months unlucky and odd-day months as lucky. Therefore, to pay further tribute to Caesar, a day was taken from February and added to July. This left February with twenty-nine days in the Julian calendar.

When Augustus Caesar became emperor, he was similarly honoured. Sextilis, the sixth month,

was renamed August. But since it had only thirty days and therefore unlucky, another day was taken from February. Vanity and superstition thus disrupted the previous order and left an awkward twenty-eight-day February in the Augustan calendar.

Other faults in this calendar were inequalities in its division, its lack of fixity, and its inaccurate leap-year rule. Pope Gregory corrected this latter fault in 1582, and the calendar then took his name. He also made January the first month of the year.

However, the month lengths remained exactly the same as in the Augustan calendar. Consequently, the lack of fixity and the inequalities still exist. The inconveniences in using the Gregorian calendar, and the cost in time lost in reference and computations, are incalculably great.

This has been obvious for many years, yet correction is a relatively simple matter. It would affect nobody injuriously and everybody beneficially.

The calendar is an instrument in daily use for measuring time. It should be precise and fixed. It should have equality in all its divisions. As long ago as 1919 such an arrangement was devised; it is now known internationally as 'The Perpetual Calendar' and has been whole-heartedly endorsed by accountants, bankers, insurance and business men throughout the world.

The proposal has fixity through the simple means of counting one day each year as a day apart, and two days in leap years. It has equality in that each month has twenty-six working days,

'The Perpetual Calendar', each Quarter and each Year the same

*New Year's Day, a day apart from any week or month, precedes Monday January 1st, and is the first day of each year, an international holiday and the third day of a three-day week-end. It is followed by the 364-day fixed calendar shown below, with the three complete months in each quarter.

JAN.	APR.	JUL.	OCT.	FEB.	MAY	AUG.	NOV.	MAR.	JUN.	SEP.	DEC.
Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun	Mon Tue Wed Thu Fri Sat Sun
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30				6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30			4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31			

*Leap Year Day, a second day apart, is observed in leap years between June 31st and July 1st. It then becomes the first day of the second half-year, a new international holiday.

plus Sundays or Sabbaths. The quarters are also equal. It has regularity in that the months of each quarter always have thirty, thirty and thirty-one days.

The first day of the year, a day apart, is counted outside the order of the week. It is called simply 'New Year's Day', an international holiday, the third day of an annual three-day week-end. The second day of the year becomes Monday, January 1st, the first business day of the new year.

This day apart is counted exactly as the extra day we now have when crossing the International Date Line, ships' captains call the extra day 'Meridian Day'. If called by a number, it would become January 0 or zero. Thus it would be easily accounted for in all computations. The logic of this is that we start all measurements from and with zero. Look at your speedometer, an

engineer's scale, or a twenty-four-hour clock.

Another day apart in leap years would be called 'Leap Year Day'. It would come between June 31st and July 1st, and if called by a number it would become July zero, the first day of the second half of the year.

Other advantages of 'The Perpetual Calendar' are evident from a study of it. Many holidays (all of them, if so legislated) fall on Monday; and all birthday and other anniversaries would always fall on the same day of the week as well as the month.

Change is the result of natural growth, and no progress is ever made without change. I suggest that we should be progressive and work for adoption of this plan for our daily use. We can thus eliminate the lack of fixity in the present calendar and the inequalities of all the months, especially February.

Foreign Exchange and Internal Audit

by J. R. HIGGINS, Cert.A.I.B.

Foreign Exchange Manager, Brown, Shipley & Co Ltd

IT will be necessary for me to spend a little time at the beginning of this talk explaining in general terms the make-up of the London Foreign Exchange market, and I then intend to deal with the various types of transactions and explain how they affect you as internal auditors. I intend also to refer only to one currency, the New York dollar, mainly because it is the largest currency and also because I can use the same old figures time and time again without having to work them out. What I say for one applies to the majority.

Foreign Exchange as a subject has a history, and a very fascinating history, which goes back through the ages; back to the Phoenicians and beyond. Since we live in a modern world we can cut all that out; what is past is past and the present is with us.

So let us commence with the post-war era. At the end of the war there was a meeting of the financial experts at Bretton Woods where the modern structure of exchange rates was agreed. There have been basic changes since that time, but with the exception of the Canadians who excluded themselves in September 1950, these changes have been rare.

By easy stages since the early 1950s Governmental control has been relaxed, the pattern of trade has been allowed to settle into its natural channels and the banks themselves have been allowed to commence active exchange trading. We have now arrived at the stage where the banks are once again conducting

their foreign exchange business on an international basis in the free world.

The Foreign Exchange Market Today

To enable us as a bank to operate we have once again, as we had before in 1939, a department of highly skilled operators who are in touch with all the important financial centres of Europe and the Americas continuously, buying and selling foreign currencies with the object of making a profit and covering the customer's requirements in the most satisfactory manner.

As a fountain head we have the Bank of England – controller of the family fortune, dispenser and disposer of exchange regulations and above all the final fount who, every day, will buy and sell American dollars at a certain published rate. Of course, the occasions when such a service is required are very, very few and far between, but it is this knowledge which makes the basis of the foreign exchange dealing rates.

Here we meet our first lesson. Until the beginning of this year the financial papers published a list of official rates for 'approved' currencies. These rates were accepted by the general commercial world as being a static fundamental. As from January 1st these official 'control points' have disappeared, with the exception of those for the American dollar.

This has made no difference whatever to the trading levels of the Foreign Exchange market, and can be likened to losing one's umbrella on a sunny day. But it does bring out one basic point. These control points are only good for today. No one should

A paper presented to the London Chapter of The Institute of Internal Auditors on January 6th, 1960, Mr G. W. Moyse, F.C.A., President of the Chapter, was in the chair.

ever assume that tomorrow *must* be the *same*. I can assure you it only takes a little telephone call from the authorities to change or abolish exchange rate control points.

The market itself is composed of all the major banks operating in the city, the clearing banks, the merchant banks, and the London offices of all the overseas banks; all authorized by the Bank of England to operate in foreign exchange and all eager to do as much as they can to make profits and to promote the good name of their various concerns. The business is conducted entirely by telephone on a highly-technical type of telephone switchboard which enables contact to be made by the touch of a button. In order to preserve our anonymity we employ the services of brokers. And it is with them that we are in touch and not by lines with each other.

These brokers are skilled negotiators who act purely as arbitrators. They neither buy nor sell for their own account, but simply use their contacts with up to a hundred banks to negotiate a satisfactory price between buyer and seller and to keep their remaining contacts well informed as to the level of rates at which business is being or can be done. For this service they extract an infinitesimal commission, which, on the enormous turnover that takes place, results in a very healthy income. That, put into a very few words, is the composition of the Foreign Exchange market. Purely incidental to the subject of the address, but necessary for you to appreciate.

Problems of Rate Fixing

Now there are very few of us who deal with money and trade who do not, in the course of their business, come across a problem or find the necessity of dealing with commerce from a foreign land. Whether it be bacon from Denmark, the building of a new factory in Canada or the buying of stocks and shares on a foreign stock exchange, sooner or later the problem of the exchange of money between two countries will arise.

Even those few of us left who can proudly boast that their books and business are entirely exempt from this troublesome matter of foreign exchange, this is really not so, even they are not exempt, for if we ourselves are not involved, our customers overseas most certainly will be.

Those who purchase or sell goods abroad in terms of foreign currency meet these problems immediately. If they have a price quoted to them in a foreign currency they must *prima facie* find out exactly what that cost will be in terms of their own money. They can (and quite a lot of them do) look in the newspaper and from the list of quoted exchange rates in the financial columns they can find a rate which will enable them to make a conversion. Others use the known middle rates or 'parities', on the premise that if they profit a little they are lucky, if they lose a little it makes no difference. The larger companies will have a separate section in their offices, which

will be in touch with banks all day who can advise the immediate rate for such a conversion with the degree of accuracy which is so necessary to turn a penny out of the international commercial market.

So far – so easy. Say you want to buy grain from the United States for sale to the millers in the United Kingdom. The price of the grain is \$x per ton and the rate for immediate conversion is known. If all the pieces fit in the deal can be done. The total number of dollars required can be purchased from the bankers against the lodgment of the equivalent sterling, the exporter is paid by the bankers' representatives in the city from which the grain is shipped, the miller pays you back in sterling. You have made a profit – jolly good, go and buy another cigar!

But just supposing the miller wants grain, not now but at the end of March. That's not quite so easy. In the first place, can the exporter arrange for shipment at the end of March? Let's say that's all O.K. The price he quotes is quite in order. But how are you going to pay? And when? Each section of the world's commerce has its own method of settlement for transactions such as these. I happen to know that grain is usually paid for so many days after the bill of lading date or on arrival of the steamer at its destination. The bank has told you what its rate is for immediate conversion into American dollars; but you won't be wanting to send any dollars for three months – does the bank know what the rate will be then? It most certainly does not. With the alarms and excursions of this modern world he would be a very bold man who could make a prophecy like that. So what are you going to do? Sit back and hope the rate will be the same when the time comes? A lot of people do; some do, with the backing of a certain amount of skill, nerve and commercial know-how; others do because they know no better.

Quoting for Forward Delivery

I would say that the larger part of the important commercial life of this country takes another course. They go to their banker and ask him to quote a rate now at which he will undertake to deliver foreign currency at a certain fixed future date. This he can and will do. It will possibly be somewhat different from the present conversion rate and quite possibly bear no relation at all to the rate when the fated day arrives. This is irrelevant. The immediate problem is that you can obtain a rate now at which your banker will contract to supply you with foreign currency at a given future date. That is the rate you should use for conversion of your foreign currency into sterling to sell to the miller. If in your business travels you come across business houses who have purchased or sold abroad and who have not covered their commitments with a contract for forward delivery, you can point your finger and say, 'like Salome you are uncovered'. Its no good coming along in a couple of months and saying the rate was so and so when we did it. You had the opportunity and you did not take it.

Now do not go rushing back to your respective institutions and frightening the wits out of the directors! Very many institutions do these things and have good reasons. For instance, in the cut-throat commodity markets it sometimes happens that the competition is so great that it is necessary to gamble on a favourable turn upwards or downwards in the rate, to bolster up a deal to a profitable level and we have these gentlemen who wait to jump in the minute there is a chance in their favour. You see, you must understand that in the tiniest of fractions these exchange rates are moving all through the day. Sympathize with the poor clerk who explains that the rate was all right when he inquired but had changed when he went back to cover his commitment ten minutes later. It happens to all of us. You must also appreciate the size of these exchange movements. If the rate for United States dollars moves, say, $1/32$ nd of a cent per pound, that is enough to kill the price of a 7,000-ton cargo of wheat. That, on occasions, can be enough to swallow up the whole of a grain operator's profit.

It is possible in some cases, and with some banks and in some circumstances, for the banker to quote a rate and undertake to leave it with the customer 'firm' for a stated length of time. Provided the time element and the size of the transaction are adhered to, when the customer phones back the contract is established no matter what has happened in the meantime. A useful little safeguard. Such things vary. I know of one type of business where such rates are quoted firm for, sometimes, up to six months – and the profit margins are ample; on the other hand it may be necessary to limit a good customer with whom one may be just as anxious to do business to a mere couple of minutes. It just depends on the circumstances of the moment.

To go back to this business of quoting for forward delivery. You may say to yourselves 'How is it done?' Well, that is reasonably simple. It is possible under normal conditions for the banker, through the medium of his broker, to find a counter party who is agreeable to buying or selling the currency for the date in question. That is the simple way out of it and in the main rarely happens. But that is what is supposed to happen. Anyway, the problem of how to decide and arbitrate the rate for such a conversion is the main problem.

Interest Rates

In general, and as a fundamental, it goes back to the problem of rates of interest. International bankers and financiers move their liquid funds from one centre to another rapidly, to ensure that at all times they are being employed at the highest yield. If the yield on Treasury bills in London is, say, $3\frac{1}{2}$ per cent and the yield on Treasury bills issued by the Federal Reserve Bank in New York is $4\frac{1}{2}$ per cent obviously money will move from London to New York. Since bankers in the main are a canny breed they make quite sure that they are not, as I mentioned before, 'uncovered'.

In other words they do not just go out and buy a stock of dollars with their sterling, and invest in Treasury bills in New York. They go further and realize that these dollars will be ready for return to this country in three months time when the bills mature. 'Ha ha', they say, 'we must indeed buy a million dollars, but also we must sell a million dollars for payment three months hence'. And this is the rate which is quoted in the papers every day underneath the spot delivery rates and it is called a 'swap' rate. Let us say the three months New York rate is quoted $\frac{1}{4}$ – $\frac{1}{2}$ discount. That, basically, has nothing to do with the 'spot' rate of, say, 2.80. It simply means that in the exchange market anybody who wishes to buy 'spot' or immediate dollars and sell them for delivery three months hence must give away half a cent in the rate for the privilege. To carry it a little further, the banker can buy his 'spot' dollars at 2.80 but he must sell back at $2.80\frac{1}{2}$, thereby making a loss.

Obviously he must make a loss. Nobody is going to make him a present of 1 per cent extra yield on his money without taking something back as compensation. You see half a cent for three months is the equivalent of 2 cents for a year, which, as an interest yield on the dollar equivalent of a £, 2 dollars 80 cents, is about .64 per cent on a large proportion of his possible extra earnings.

At times, exchange rates for forward delivery seem to move out of line with what we may call interest arbitrage. The case of the French franc at Christmas 1958 is one case in point. At one stage it was almost impossible to sell francs for delivery at a future date and discounts ran up to over 100 francs a month. Everyone could see a devaluation was imminent and it was impossible to find a buyer for forward delivery at any price. Likewise, at the time of Suez, the dollar rate to the £ for future delivery ran right away from any interest consideration. There was something very close to 'panic stations' amongst the world financiers and they were prepared to sell £s for future delivery at any price.

So although under peaceful stable conditions this interest content should be the guiding factor, other considerations can quickly arise that will make rates for future delivery look quite ridiculous.

This has nothing to do with auditing at all. But it has a lot to do with understanding how a price for an outright forward delivery of a currency is computed. If, to quote the same example, the price for dollars 'immediate delivery' is quoted at $2.79\frac{1}{4}$ – $2.80\frac{1}{8}$ and 'three months' is quoted $\frac{1}{4}$ – $\frac{1}{2}$ discount, the outright price for buying and selling is $2.80\frac{1}{8}$ – $2.80\frac{5}{8}$; that is $\frac{1}{2}$ discount in your favour on the bank's selling price for dollars and $\frac{1}{2}$ in the bank's favour on the price at which they buy dollars.

So if your books show transactions in currencies for future delivery which show up badly by comparison with the published list of 'spot' rates for the day in question, don't think your man is having a little graft with his pal at the bank. Nod your head

wisely and go into a quiet corner and work it out.

We will now go back again to our cargo of grain, which by now is half-way across the high seas. You have contracted to buy dollars for delivery at say, March 31st, at a jolly nice rate. As luck would have it the shipment was pushed forward a bit, the cargo is here on March 15th. The miller wants it and the bank is asked to make payment immediately. They are very charming and say all will be done and in due course you find the contract going through your books at a slightly different rate from the rate at which the deal was arranged, or else a debit is being passed, with some nonsense about 'charge for early delivery'. What's this, you say - are we being stung? Gentlemen, you are not. If, as I have explained, you have obtained some benefit in the rate by booking your foreign currency for a forward delivery, obviously the bank has had to obtain the same benefit from somebody else. If you want your dollars early, then likewise the bank has got to get them early from some other source. They have got to give away a discount and so must you.

Options

Which brings me to the next problem - a thing called options. Options exist in every trade and some people, no doubt, during the last year have made a pretty penny out of them on the stock exchange. But foreign exchange options are entirely different. A foreign exchange option is simply and solely a question of delivery date. The merchant buys American dollars for delivery, his option during March. That simply means that the dollars will be made available to him at the contract rate on any day in March which he may find suitable. It does not mean he can ring up in March and say he does not want them after all.

It is simply a method of overcoming the vagaries of shipping dates, strikes, lockouts, acts of God and other various factors which may hold up delivery of the goods. A rate for a contract for delivery between optional dates is worked out by a banker in exactly the same way as any other contract for future delivery - with the proviso that he calculates the rate for the date which is most profitable to him. To go back to our old rate for three-month dollars which we calculated to be 2·80½-2·80½ if you wished to buy dollars for delivery option during March you would only get the benefit of the discount up to the end of February and the rate would be, say, 2·80¼. The banker argues that he must make provision for your commitment as from that date and cannot give you the benefit of any discount beyond that date. Conversely, if you have to sell dollars for delivery, your option during March, the banker would buy these from you at 2·80½. Just a minute, you say, the bank gets it one way and then pulls it in the other. That is quite so; for in the second case it must be stated that it is possible the banker might not get these dollars until the very last day and I must quote a rate accordingly.

Optional delivery rates do not produce highly competitive quotations, but they are so useful to the merchant that he uses them continuously.

Cancellation of Contract

Our next case is the shipment that goes wrong. It happens in the best circles. The delivery of the goods cannot take place and suitable terms for the cancellation of the contract between the two houses are arranged satisfactorily. There remains the exchange contract with the bank. Here again the banker will always be amenable - at a price. As far as he is concerned he is being asked to make an entirely fresh deal, a deal which is being based on the rates as they stand at the moment - not as they were when the contract was first made, not as they will be when the date for completion arrives, but as they are at this minute. It may show you a profit - it may show you a loss - don't blame the banker. It must be regarded as part of the costs for the cancellation of the whole deal.

I have said nothing yet of the bank's profits on exchange. Banks are authorized to make a charge for covering exchange commitments - a very modest charge, which works out to ⅛ of 1 per cent up to a maximum of £5,000. Any contract, and most of them are, of over that amount bears the maximum of £6 5s, which you will agree, for a deal of half a million dollars, worth say £180,000, is 'peanuts'. Banks have to work for their profit in their trading and in the skill of their operators.

Earlier I spoke of those people who did their business in sterling as being without the weight of this complex business upon their back. But with you, this may not be so. Delay or unpunctuality in making sterling remittances abroad may bring upon your backs a difficult and tiresome claim for losses incurred through some major change which would have been avoided if remittances had been made in a businesslike manner. Any of you who dealt with foreign customers when the £ went from \$4.02 to \$2.80 overnight will appreciate with some force exactly what I mean.

Contingent Factors

For the moment I am going to leave foreign exchange and explain to you one or two other aspects which arise.

Many people have an inclination to buy securities which are not sterling securities, but are the shares in concerns in the U.S.A. and Canada. We all know them, General Motors, Bethlehem Steel, Imperial Oil and the like. Unfortunately, the gold and dollar reserves of this country are not yet big enough, nor is it the wish of the authorities to make this possible simply by walking into a bank and buying some dollars and then giving an order for the purchase of the securities in New York. It can only be done by the use of premium or investment or hard dollars. These are not dealt in by the banks as a

foreign exchange problem but as an investment problem. They arise in the main from the sale of United States or Canadian securities by other residents of the United Kingdom and in a smaller way from the flow of legacies which arrive in this country from the New World. It follows that the supply and the demand can both be very limited and, as a result, very large fluctuations in the price are quite common.

To make life even harder, the stockbrokers who handle the majority of this business decided at the beginning that the £ was exactly \$2.80 and any variation from this rate would be percentage-wise only. Thus we find investments going on to the books at rates like $2.80 + \frac{1}{4}$ per cent $2.80 + \frac{1}{16}$ per cent. To evaluate such an investment it is necessary to convert at the fixed rate of 2.80 and then to add or subtract the additional percentage. As a final burden a number of these securities are quoted in the leading daily newspapers. These quotations, which are dollar quotations, are evaluated on the basis of \$5 to the £. Never be misled by the difference in price between a New York paper and a London paper. The sterling equivalent comes out the same.

To put in the final crushing blow we also have 'soft' dollars. These are slightly different 'hard' dollars. They are the only dollars which the authorities will permit a resident of any other part of the sterling area to use for investment. They arise from the purchase and sale of securities in America which are not American securities. I am referring to such things as Royal Dutch and Unilever shares which are quoted on the New York Stock Exchange. The price for 'soft' dollars is quoted in exactly the same way as are premium dollars, but may be slightly different in price.

Blocked Sterling

After this we come to blocked sterling which, unfortunately, like the poor is always with us. It is a troublesome business and arises simply because people will die and leave their money to someone abroad. Our authorities permit a certain amount to leave the country and inhibit the rest. It either remains as an investment, or through an outside market which is not officially recognized it can be turned into dollars or what have you, provided the foreign beneficiary can find a counter party who is prepared to take the sterling and invest it in accordance with the regulations. It all sounds very complicated, but in practical use boils down to picking up the telephone and fixing up a deal.

There is one point here that is important. If a commercial, or any other transaction, falls foul of the exchange control regulations, don't even think to yourselves, 'Oh well, we can get it blocked and then turn it into dollars'. It cannot be done. If a deal of any description is not allowed, that is the end of it. You have tried to do something you ought not to do and you cannot find any way round it.

A word now about accounts and auditing in general. I do suggest and recommend that at the time of audit it should be the duty of the auditor to examine commercial transactions on the books and to ascertain exactly what arrangements have been made to cover the company's commitments. I go further and suggest that commitments which have not been covered should be the subject of comment by yourselves. What action should be taken does not lie in your hands, but your duty, in my eyes, is certainly clear and that is to prevent exchange losses accumulating or occurring.

Weekly Notes

The Scottish Institute's Examinations

THE results of the December 1959 examinations of The Institute of Chartered Accountants of Scotland show that there were 165 successful candidates in the Final examination and 170 successful candidates in the Intermediate.

The Institute's Distinction Prize, the John Mann Prize and the John Munn Ross Prize were all won by Mr Harold Hyman Bach, of Glasgow. The J. C. Burleigh Prize, for the most meritorious performance by a London candidate in each year in the First and Second Divisions as a whole, was won by Mr Peter Mervin Markham, C.A.

The Guthrie Prize, for the successful woman

candidate for the Second Division of the Final examination in each year with the highest aggregate marks over the First and Second Divisions, was awarded to Miss Pamela Louise Dunn, C.A., of Edinburgh, and the Albert J. Watson Prize, for the candidate obtaining the highest number of marks above a certain minimum at each diet of the First Division of the Final examination, was won by Mr Lawrence Macalister Urquhart, of London.

The Sir William McLintock Prize in two parts for the two candidates obtaining the highest and second highest number of marks at each diet of the Second Division of the Intermediate examination was awarded to Mr Ian Forbes Brown, of Glasgow, and Mr James Hendry, also of Glasgow. The Helen Somerville Prize for the woman candidate obtaining in each year the highest marks in the Second Division of the Intermediate examination was won by Miss Primrose Smith Scott, of Ayr.

The names of the successful candidates in the Final and Intermediate examinations (Second Division) appear elsewhere in this issue.

Society Liquidation Meeting

THE report of the joint liquidators of The Society of Incorporated Accountants covering the two years to October 31st, 1959, and an account of the general meeting of members held on Wednesday of last week in London 'to approve the liquidators' acts and dealings' for that period are given elsewhere in this issue. It is evident therefrom that the affairs of the Society are being wound up with, as one would expect, professional competence and that few matters of importance now remain to be settled. Indeed, so smoothly successful has been this aspect of the implementation of the integration scheme that already many references in the report come almost as an echo from the distant past. This is as it should be. The imperishable part of the Society is preserved in its members and they alone can carry forward and pass on the ideals for which it stood continuously during its long and honoured existence.

Plea for Freer Gold Stocks

SIR OLIVER FRANKS, chairman of Lloyds Bank Ltd, in his annual review has dealt at some length with the international economic situation. Like most people he is somewhat pessimistic about a quick solution to the problems keeping the European Common Market and the European Free Trade Association apart. He is in favour of using O.E.E.C. as the machinery for bringing into existence an Atlantic community covering both the 'Six' and 'Seven' as well as the United States and Canada.

He is in favour of the United States releasing, say, \$12,000 million of sterilized gold. He pointed out that both sterling and the dollar are important reserve currencies and over a period, international exchange reserves must grow steadily if world trade is not to be hampered by a shortage of liquidity. Sir Oliver Franks has dealt with this theme in the past when he discussed in his 1958 statement the difficulty of financing a rapidly-expanding world trade out of a constant supply, in terms of value, of world gold and reserve currencies.

At the same time he favours Europe's dismantling dollar discrimination in trade. He would have this dismantling completed but he gives the warning that the United States must not expect the Western Europe economy to replace the United States as the main source of world capital for overseas investment.

Forecast for 1960

THE *Economic Review* for January 1960, published by the National Institute of Economic and Social Research, contains the usual bi-monthly forecast on the economic weather. The *Review* says that if there are no taxation changes in the Budget, no further change in Bank rate, and no change in credit policy, total demand is likely to rise by about 4 per cent in 1960, almost as fast as in 1959. Capacity is adequate for such a rise and the balance of pay-

ments prospects are reasonably good. It thinks that prices may creep upwards and it is a matter of opinion how far a moderate restraint of demand would check this. Some difficulties for the near future include a tight labour position in the South and Midlands and in these cases special measures will have to be taken.

It points out that the rise in fixed investment has accelerated. This was nearly 5 per cent higher in 1959 than in 1958 and in 1960 it may be 8 to 9 per cent higher than last year. Investment in manufacturing industry is likely to rise significantly this year. Exports are likely to be sustained by a rise of something like 7 per cent compared with 10 per cent last year and an expansion in exports to sterling area countries is particularly looked for. The review does not think that investment in stocks will be a major expansionary force this year.

The third quarter's estimates for 1959 have now been published, giving the national income and expenditure figures. Gross fixed capital formation at home in the first nine months of last year was 3 per cent higher at £2,266 million compared with the same nine months of 1958. In the third quarter of 1959 capital outlay, measured at constant prices and allowing for seasonal variations, was between 6 and 7 per cent higher than in the fourth quarter of 1958. Investment in stocks was increasing rapidly in the second and third quarters of last year and this, of course, was reflected in the balance of payments situation. As noted above, the *Economic Review* does not expect fixed investment and investment in stocks to generate inflationary conditions this year provided Government expenditure is severely held in check.

New Mortgage Element in 1959

NEW house loans last year are expected to have exceeded £500 million when final figures are available. This increase on 1958 is greater than can be accounted for by the increase in the price of house property or the number of new houses built last year. According to Mr Herbert Ashworth, general manager of the Co-operative Permanent Building Society, there must have been a big demand for mortgages arising out of the Rent Act.

Something like £100 million of mortgages must be attributed to higher sales of houses and flats to sitting tenants and to a bigger turnover in property with vacant possession normally let. This year Mr Ashworth expects mortgage business to be active again. There are about 310,000 new homes to be built.

He made the interesting point when announcing his own Society's results for 1959 last week, that a high proportion of withdrawals from building societies seem to be for car purchases. This is therefore one other way in which the building society movement feels the impact of spending and saving habits and the rate of interest. He also made reference to the competition for savings which the movement

feels from unit trusts, investment clubs and from direct investment on the stock exchange. This kind of competition is a secular trend and a new force to be reckoned with quite apart from changes in Bank rate and the general level of interest rates.

The Local Employment Bill

THIS week the House of Commons has debated the Local Employment Bill. This measure has been devised to enable the Government to deal with high unemployment in the areas concerned. The old development areas will be abolished and a single list of places and localities inserted where the Government's powers may be exercised. The Bill is expected to become law by April and not until then is a list of places eligible for aid likely to be available.

A feature of the Bill is the extension of the Government's financial and building powers from the development areas to the new list. So far there have been some scheduled areas where financial powers could be exercised by the Government but not building powers. Under the new Bill, the Government will be able to give building grants to concerns which prefer to own rather than rent factory space.

Greater flexibility in official powers to deal with special areas are coming at a significant time. There are signs that one of the main problems in executing economic policy in the next year or two is going to be how to hold inflation in one area, say, the Midlands, and how to stimulate activity in another, as in South Wales or Scotland. If the new Act works efficiently it may create a weapon for regional economic stimulation – a useful tool in the economic armoury.

This is My Life . . .

by An Industrious Accountant

CHAPTER 10

IN Edwardian days, the social aristocrat looked to his gentleman's gentleman for sartorial support; today, the business executive relies on the secretary's secretary for expert assistance in every crisis. She is the 'Admirable Miss Crichton' of industry.

I proved this yesterday, when I blotted more than my copybook at a board meeting. I had just read the minutes, with my best B.B.C. intonation. Then I placed the book before my chairman, who murmured the routine phrase about accepting a true and correct record, while fumbling in his pocket for the pen which obviously wasn't there. So I produced my expensive new model, and handed it over with a flourish. The flourish was the trouble.

The upper half flew off like a sputnik, right into the chairman's immaculate pearl-grey waistcoat, where it left a vast blue-black blotch above the spotty trail of its further fall. His effort to arrest it only spread the damage.

After a horrified moment, we all sprang to life with proffers of blotting paper, while I wondered if *hara-kiri* with the paper-knife was the appropriate gesture. But the chairman, born to the purple, was equal to the occasion. He dried his fingers on my handkerchief – with poetic justice – then rose with dignity and doffed the damaged garment.

'You seem to have nourished a viper in your bosom, Mr Secretary', he remarked pleasantly. 'Perhaps one of the girls could remove the stain?'

With knees buckling, I delegated the bundle and the problem to my secretary. Being a secretary's

secretary for five years now, she is inured to the arrival of spasmodic crises, from a fire in the cloak-room to mice in the filing cabinet. Being Irish and red-haired, she is prepared to cope with anything. She eyed the wreckage cheerfully and urged me back to the boardroom. The chairman looked strangely naked without his waistcoat.

* * * *

Half an hour later, a heated argument was raging among the directors. The deputy chairman, it appeared, had been campaigning against illicit and surreptitious smoking in the stores, so when he had found the foreman with a cigar actually in his mouth, he opened fire. The Cockney veteran heard him out calmly before commenting that (a) the said cigar was unlit; (b) he always chewed cigars; and (c) Blimey, there was no rule against chewing, was there? So the deputy chairman had been forced to retire in disorder, while the foreman chewed his cigar with obvious enjoyment for the rest of the morning. The result: a nice problem for the board, with everyone trying to speak at once.

When I answered the quiet knock on the door, my secretary, looking extremely complacent, handed over an immaculate bundle – a waistcoat, spotless, unblemished, its splendour restored!

I passed things off rather smugly, making no attempt to explain, and the chairman was suitably impressed.

My secretary explained later: 'It was ruined, of course. But it's a standard model, so I just nipped across to Men's Outfitting . . . the docket says eight guineas.' She dipped into the chocolates appreciatively.

I charged it to 'Sundry replacements', being unsure of our auditors' reaction to a debit for a new waistcoat for the chairman. Would they consider it a valuable perquisite, to be included in his Schedule E return?

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CANADA

A Survey of Management Methods

WORK is not an end in itself and the aim of all human endeavour, as a writer in a new publication entitled *The Function of Management*, issued (price \$2.00) by The Canadian Institute of Chartered Accountants puts it, is to achieve some benefit or satisfaction over and above the expenditure of effort. The ratio of reward to toil is almost certain to be influenced by the quality of the management which directs the exertions of those taking part. It is highly desirable, therefore, that the true nature of management and its methods of operating should be clearly understood.

The brochure of the Canadian Institute, in the course of eleven co-ordinated articles, goes some way towards making business men, accountants and students more familiar with the best techniques of industrial government. No one contribution is long enough to allow of detailed treatment of the aspect dealt with but, collectively they make a brave assembly. The first article, which gives its name to the publication, is introductory and is followed by two on the objectives of, and organizing for, management. Sales, production and financial planning are next considered as is, also, personnel administration.

Then the control of materials, overheads and manpower are surveyed and the collection is rounded off with some advice on points to be observed in reporting to management.

Each writer is an expert and it is perhaps a pity that, in every instance, he had not been allowed more space in which to expand his theme. This might, however, have affected the intimate compactness of the book which, even in small compass, is full of meat.

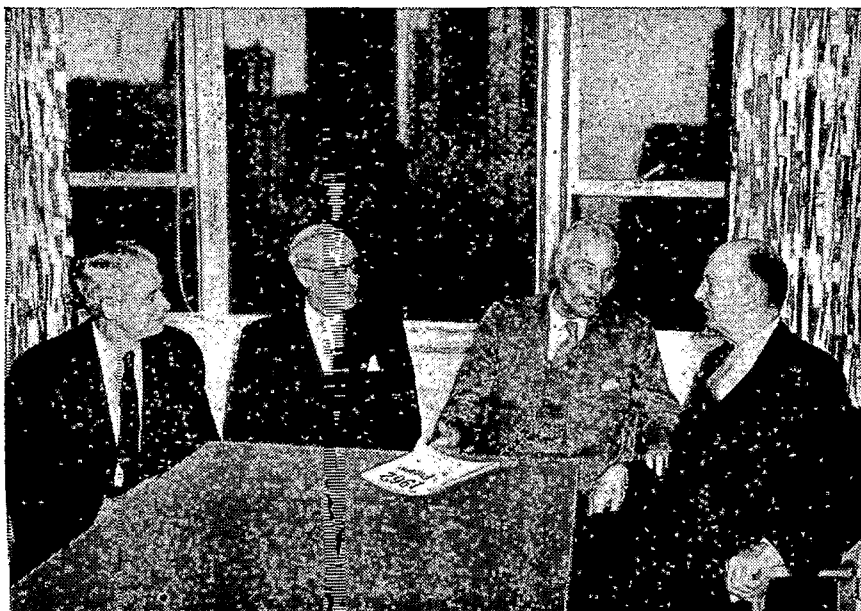
UNITED STATES

International Congress 1962

THE thoughts of members of the profession throughout the world will before long be turning towards the Eighth International Congress of Accountants which is to be held in New York in the autumn of 1962. The occasion will coincide with the seventy-fifth anniversary of the American Institute of Certified Public Accountants, and a planning committee for the Congress under the chairmanship of Mr Arthur B. Foye, C.P.A., a Past President of the American Institute, has already started work on the preliminary arrangements.

The 1959 annual meeting and convention of the American Institute last November was attended by Mr Alan S. MacIver, M.C., B.A., Secretary of The Institute of Chartered Accountants in England and Wales and Secretary of the Sixth International Congress held in London in 1952, and by Mr J. Kraayenhof, a Past President of the Netherlands Instituut van Accountants who was President of the Seventh Congress which took place in Amsterdam in 1957.

Opportunity was taken of the presence of Mr Kraayenhof and Mr MacIver in New York to review plans for the 1962 Congress and our photograph shows them in conference with Mr Foye and Mr John L. Carey, Executive Director of the American Institute.



Left to right: Mr Carey, Mr MacIver, Mr Kraayenhof and Mr Foye.

EAST AFRICA**Income Tax Report**

THE report of the East African Income Tax Department for the year ended June 30th, 1959, shows an increase of 2,571 in the number of known taxpayers in Kenya, Tanganyika, Uganda, Zanzibar and Aden. This is the smallest increase for many years, but the decrease in the growth of the number of persons paying tax was expected because the increased personal allowances given by recent legislation have led to a considerable number of individuals falling out of liability. The total amount of tax collected has, however, fallen only very slightly from the previous year.

The Investigation Branch again had a successful year; 136 cases were settled and yielded £1,468,078. The number of cases being investigated at June 30th, 1959, was 236, as against 259 a year previously. Continued use was made of the Assessing Branch

in minor cases not warranting the full attention of the Investigation Branch: 670 cases so dealt with resulted in £156,420 being recovered.

The report complains of the failure of taxpayers to lodge returns until estimated assessments bearing additional penal tax are issued – a cause of extra expense and extra work to the department – and of the investment by taxpayers of their money in the names of wives and relatives, as a result of which creditors are defeated, the present bankruptcy legislation being inadequate to prevent this.

The recruitment of staff still proves very difficult, and the turnover in staff is very considerable. Owing to the greatly increased burden of the Department since responsibility for Aden tax administration was undertaken in 1952, it has proved necessary to bring the association to a close, and as from April 1st next, the Aden Income Tax Office will no longer be associated with East Africa.

Finance and Commerce

Phillips Furnishing

THIS week's reprint of the accounts of Phillips Furnishing Stores Ltd continues the view of the company's affairs from last year, provided in our issue of January 10th, 1959. For those without ready recourse to the file, a brief review of a most important point last year will be useful.

The auditors of Howards (Newcastle) Ltd, a Phillips subsidiary, then qualified their report: 'subject to the matter referred to in Note 3'. Note 3 was to the effect that the aggregate of the debtors' balances extracted by the branches at June 28th, 1958, was £134,606 less than the balances on the head office control accounts. The reason for this difference, the auditors said, had not been ascertained and therefore the lower of the two figures had been adopted in the accounts and the difference had been charged in arriving at the loss on trading.

The chairman then assured shareholders that since the date of the accounts, there had been changes in management and policy and that a new system of control had been installed. In the matter of bad and doubtful debts, it had been necessary to write off very substantial amounts consequent on administrative difficulties but every effort would be made to collect and it was hoped to recover a percentage in the year now under review.

Proper Books

Unfortunately, it appears that the measures then adopted have not been entirely successful, for, says a note to the Howards consolidated profit and loss account for the year ended June 27th, 1959 (also reproduced this week):

'There has been charged against the . . . profit on trading an amount of £42,097 (1958 – £134,606) in respect of difference arising in the debtor accounts.'

This time, however, the accounts get a clear certificate from the auditors, in which connection it must be noted that the audit has been taken over by the auditors of the parent company, Phillips. Evidently the new auditors take a different view.

Last year the comment was made in this column that shareholders might well wonder what really was implied by the statement that 'proper books of account have been kept' and whether it might not be better to see if books of account have been properly kept. That observation is still pertinent.

No reference is made to the matter by the chairman of Howards but as chairman of Phillips, Mr E. T. Tatham says:

'The reorganization of Howards (Newcastle) Ltd, to which the late Sir Ronald Matthews referred in his statement last year, has now been completed and, although it was necessary to make a further provision of £42,097, in accordance with Note 2 on the profit and loss account, it is the opinion of your Board that there should be no recurrence of a similar nature'.

Changed Method

A new development this year is a change in the method of providing for unrealized profit on amounts

payable under hire-purchase agreements. This is stated in Note 1 to the Phillips profit and loss account in the following terms:

'In prior years the gross profit attributable to balances outstanding on hire-purchase sales as at the accounting date has been carried forward, but as regards the balances outstanding at the termination of the year to July 27th, 1959, the amount of profit carried forward was computed on an adequate but reduced basis. Consequently upon this change in accounting basis the results of the year include a profit of £192,987 which would have been attributable to the previous year had there been provision for unearned profit at June 28th, 1958, been computed on a similar basis to that at June 27th, 1959.'

Howards Note 1 is in the same terms except that the profit included is £25,212.

Readers will find an interesting figuring exercise in attempting to work back to what the profit position would have been on the old accounting basis with particular reference to the effect right through the profit and loss account to the appropriations. They will appreciate what faces the non-accountant shareholder. For shareholders, it would have been simpler had the old basis been preserved at the top of the account and the effect of the non-recurring item shown below the parent profit.

Hire-purchase Sale

The chairman refers to the reversal of the declining trend of hire-purchase sales with the removal of

PHILLIPS FURNISHING STORES LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED PROFIT AND LOSS ACCOUNT for the Trading Year ended 27th June 1959

	£	£	£	Year ended 28th June 1958	£
PROFIT ON TRADING after providing for Bad and Doubtful Accounts, but before taking account of the items below:—			278,806		85,780
<i>Deduct:</i>					
Depreciation of Stocks out on Rental	169,249			112,436	
Depreciation and Amortisation of Fixed Assets	31,720			45,997	
Audit Fees: Phillips Furnishing Stores Limited	2,262		2,062		
Subsidiary Companies	4,675		3,448		
Mortgage Interest		6,937			5,510
Interest on Unsecured Notes		3,378			4,490
Emoluments of Directors of Parent Company:		4,957			5,937
Fees as Directors	2,291			1,850	
Management Remuneration	19,005			20,244	
		21,296			22,094
			237,537		196,464
GROUP NET PROFIT before providing for Taxation			41,269	(Add)	(Loss) 110,684
<i>Deduct:</i>					
Taxation on the results of the year:					
Profits Tax	6,690				19,064
Income Tax	22,458			(Cr.)	7,748
	29,148				11,316
Less: Provision in respect of prior years no longer required	9,515				—
			19,633		11,316
GROUP NET PROFIT after providing for Taxation			21,636	(Loss)	122,000
<i>Deduct:</i>					
Amount applied by Subsidiary Company from Profit brought forward	—				15,908
Transfer from General Reserve of Subsidiary Companies	—				11,433
			—		27,341
			21,636	(Loss)	94,659
<i>Deduct:</i>					
Dividends paid to outside Preference Shareholders (net)		6,087		(Add)	6,062
PROFIT OF THE PARENT COMPANY			15,549	(Deduct)	(Loss) 100,721
<i>Add:</i>					
Balance brought forward from last year	3,066				98,101
Transfer from General Reserve	—				38,567
			3,066		136,668
Balance available for appropriation as follows:			18,615		35,947
Dividends paid less Income Tax:—					
5 per cent. Preference Stock, year to 30th April 1959	5,863				5,678
6½ per cent. Preference Stock, year to 30th April 1959	9,535				9,234
6 per cent. Interim on Ordinary and 'A' Ordinary Stocks	—				17,969
			15,398		32,881
Balance carried forward by Parent Company			3,217		3,066
Balance brought forward by Subsidiary Company	—				15,908
Less: Applied against Loss for the year as above	—				15,908
			—		—
Balance carried forward in Consolidated Balance Sheet			£3,217		£3,066

NOTES—1. In prior years the gross profit attributable to balances outstanding on hire purchase sales as at the accounting date has been carried forward, but as regards the balances outstanding at the termination of the year to 27th June 1959 the amount of profit carried forward was computed on an adequate but reduced basis. Consequently upon this change in accounting basis the results of the year include a profit of £192,987, which would have been attributable to the previous year had there been provision for unearned profit at 28th June 1958 been computed in a similar manner to that at 27th June 1959.

2. There has been charged against the above profit on trading an amount of £42,097 (1958—£134,606) in respect of differences arising in the debtor accounts of Howards (Newcastle) Limited.

PHILLIPS FURNISHING STORES LIMITED
CONSOLIDATED BALANCE SHEET

	£	£	£	As at 28th June 1958	£	£
CAPITAL of Phillips Furnishing Stores Limited—						
Authorised Capital		£1,200,000			£1,200,000	
Issued Capital			982,623			982,623
CAPITAL RESERVES—						
As at 28th June 1958		190,361				190,361
Add: Surplus on Sale of Properties		45,544				
Surplus on Realisation of Investment in Subsidiary Company		59,851				
Profit on Redemption of Unsecured Notes		70				
			295,826			
REVENUE RESERVES AND UNDISTRIBUTED PROFITS—						
Preference Dividend Reserve		50,000			50,000	
Profit and Loss Account		3,217			3,066	
			53,217			53,066
			1,331,666			1,226,050
PREFERENCE SHARES HELD BY OUTSIDE INTERESTS			170,646			170,646
AMOUNT SET ASIDE FOR FUTURE INCOME TAX			53,212			64,916
4½% UNSECURED NOTES (repayable on or before 31st October 1963)			75,000			90,000
LOANS ON MORTGAGE			50,282			75,698
CURRENT LIABILITIES—						
Bank Overdraft (part secured)		727,700			1,087,210	
Bills Payable—						
Secured	215,751				57,994	
Unsecured	884,785				683,613	
		1,100,536				741,607
Trade and Sundry Creditors and Accrued Charges—						
Secured	601,722				305,092	
Unsecured	980,161				1,340,131	
		1,581,883				1,645,223
Provision for Current Taxation		209,552				448,359
Accrued Preference Dividends (net) on Outside Shareholdings in Subsidiary Companies		3,275			2,242	
			3,622,946			3,924,641
			<u>£5,303,752</u>			<u>£5,551,951</u>

NOTE.—Capital commitments at 27th June 1959 amounted to £26,000 (1958—nil)

PHILLIPS FURNISHING
BALANCE SHEET

	£	£	£	As at 28th June 1958	£	£
	Authorised	Issued and Converted into Stock		Authorised	Issued and Converted into Stock	
SHARE CAPITAL—						
200,000 5 per cent. Redeemable Cumulative First Preference Shares of £1 each	200,000	197,500		200,000	197,500	
250,000 6½ per cent. Cumulative Preference Shares of £1 each, Irredeemable	250,000	247,061		250,000	247,061	
1,000,000 Ordinary Shares of 2/- each	100,000	64,700		100,000	64,700	
6,500,000 'A' Ordinary Shares of 2/- each	650,000	473,362		650,000	473,362	
	<u>£1,200,000</u>	<u>982,623</u>		<u>£1,200,000</u>	<u>982,623</u>	
CAPITAL RESERVES—						
As at 28th June 1958	91,458					
Add: Surplus on Sale of Properties	52,409					
Surplus on Realisation of Investment in Subsidiary Company	59,851					
		203,718				91,458
REVENUE RESERVES AND UNDISTRIBUTED PROFITS—						
Preference Dividend Reserve	50,000			50,000		
Profit and Loss Account	3,217			3,066		
		53,217				53,066
		1,239,558				1,127,147
CURRENT LIABILITIES—						
Bank Overdraft (secured by the issue of £250,000 Debentures payable on demand)	123,114			693,094		
Bills Payable				326		
Trade and Sundry Creditors and Accrued Charges—						
Secured	251,203			92,229		
Unsecured	226,023			291,206		
		477,226			383,435	
Provision for Current Taxation		92,082			171,997	
		692,422				1,248,852
AMOUNTS OWING TO SUBSIDIARY COMPANIES after deducting dividends declared and since paid		1,250,102				978,327
NOTES.— (1) There are contingent liabilities in respect of guarantees given in connection with Bank Advances to Subsidiary Companies and Purchase Tax liabilities of one Subsidiary Company.						
(2) Capital commitments at 27th June 1959 amounted to £26,000 (1958—nil)						
		<u>£3,182,082</u>				<u>£3,354,326</u>

February 6th, 1960

THE ACCOUNTANT

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AND SUBSIDIARY COMPANIES AS AT 27th JUNE 1959

	£	£	£	As at 28th June 1958 £	£	£
		Amortisation and Depreciation			Amortisation and Depreciation	
FIXED ASSETS—						
Freehold and Leasehold Properties						
At valuation less realisations or at cost	758,849	97,739	661,110	1,058,326	96,419	961,907
Fixtures and Fittings						
At valuation or at book values in 1948 plus net additions since at cost	258,786	146,745	112,041	301,170	153,765	147,405
Motor Vehicles						
At cost	55,880	31,496	24,384	80,206	41,582	38,624
			797,535			1,147,936
MORTGAGE REDEMPTION POLICY (at Surrender Value)						20,525
CURRENT ASSETS—						
Stocks on Hand						
As valued by the Officials of the Companies		761,472			1,107,681	
Stocks out on Rental						
At cost less depreciation		414,898			280,041	
Sundry Debtors, Deposits and Payments in Advance						
Amounts Payable under Hire Purchase Agreements		70,822			124,334	
(after providing for Bad and Doubtful Accounts)	3,266,606			1,379,071		
Deduct: Provision for Unrealised Profit	734,984			503,278		
		2,531,622			875,793	
Amounts Payable under Credit Sale Agreements						
(after providing for Bad and Doubtful Accounts)	272,555			1,382,381		
Deduct: Provision for Collection Costs	40,880			204,570		
		231,675			1,177,811	
Deferred Payment Debtors less provisions		260,051			492,282	
Balances at Bank and Cash in Hand		5,666			17,401	
		4,276,206				4,075,343
EXCESS OF COST OF SHARES in subsidiary Companies over book value of net tangible assets at the date of acquisition less amounts written off ..			230,011			308,147
			£5,303,752			£5,551,951

STORES LIMITED AS AT 27th JUNE 1959

	£	£	£	As at 28th June 1958 £	£	£
		Amortisation and Depreciation			Amortisation and Depreciation	
FIXED ASSETS—						
Freehold and Leasehold Properties						
At valuation less realisations or at cost	411,211	46,837	364,374	486,557	49,544	437,013
Fixtures and Fittings						
At valuation plus net additions since at cost	104,241	64,579	39,662	127,118	68,945	58,173
Motor Vehicles						
At cost	28,719	16,420	12,299	35,630	18,813	16,817
			416,335			512,003
CURRENT ASSETS—						
Stocks on Hand						
As valued by the Officials of the Company		195,365			246,704	
Stocks out on Rental						
At cost less depreciation		122,726			125,762	
Sundry Debtors, Deposits and Payments in Advance						
Amounts Payable under Hire Purchase Agreements		52,934			62,261	
(after providing for Bad and Doubtful Accounts)	958,974			498,465		
Deduct: Provision for Unrealised Profit	215,769			185,130		
		743,205			313,335	
Amounts Payable under Credit Sale Agreements						
(after providing for Bad and Doubtful Accounts)	72,091			417,661		
Deduct: Provision for Collection Costs	10,812			62,649		
		61,279			355,012	
Deferred Payment Debtors less provisions					26,248	
Balances at Bank and Cash in Hand		1,196			1,287	
		1,176,705				1,130,609
INVESTMENTS IN AND AMOUNTS OWING BY SUBSIDIARY COMPANIES—						
Shares at cost less amounts written off		875,693			1,153,945	
Amounts Owing on Current Accounts including dividends declared and since paid		809,034			656,173	
		1,684,727			1,810,118	
Deduct: Provision for Losses		95,685			98,404	
		1,589,042				1,711,714
ERIC T. TATHAM P. WINSTONE } Directors						
		£3,182,082				£3,354,326

restrictions in September 1958. As shareholders are aware, he observes, profit from hire-purchase trading is realized as the cash therefrom is actually received. The provision for unrealized profit on hire-purchase debts at June 1959 of £734,984 (against £503,278) represents the estimated profit which will accrue to the company over the period of the instalments provided for in the agreements, which means that some £231,706 additional deferred profit is carried in reserve because of the large increase in hire-purchase trade during the year. For this reason, the chairman adds, it will be apparent why no dividend on the Ordinary and 'A' Ordinary stocks is recommended.

It is difficult to avoid a feeling, with these accounts, that not all has been said in the report or chairman's statement that might have been. Looking at Phillips,

for instance, there is no indication that within the group £7,750 has been paid out as 'Compensation for loss of office as executives', yet this item appears under 'directors' emoluments' in the Howards profit and loss account.

There is no reference this time to bad and doubtful debts, the extent of their recovery, or possible effect on the present accounts.

Income tax recoverable in the Howards balance sheets is now £44,418 against £42,500. A word on the position with the Inland Revenue would have been useful, particularly in view of the unfortunate Note 3 mentioned by the previous auditors.

Next Week's Reprint

The reprint in next week's issue will be from the accounts of Lloyds and Scottish Finance Ltd.

HOWARDS (NEWCASTLE) LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED PROFIT AND LOSS ACCOUNT for the Trading Year ended 27th June, 1959

	£	£	£	Year ended 28th June, 1958	
				£	£
PROFIT ON TRADING after providing for Bad and Doubtful Accounts, but before taking account of the items below:			35,677	(Loss)	98,532
Deduct:					
Depreciation of Stocks out on Rental		7,973		(Add)	9,378
Depreciation of Fixed Assets		10,242			14,085
Audit Fee		3,000			1,362
Mortgage Interest		1,133			1,988
Interest on Unsecured Notes		4,957			5,937
Directors' Emoluments:					
Fees as Directors	441				
Management Remuneration	2,631		10,483		
Compensation for loss of office as Executives	7,750				
	10,822		10,483		
	3,000				
Less: Provision for Pension Fund no longer required		7,822		10,483	
			35,127		43,233
GROUP NET PROFIT before providing for Taxation			550	(Loss)	141,765
Deduct:					
Taxation on the results of the year:					
Profits Tax	190			(Add)	1,580
Income Tax	2,335				2,368
			2,525		3,948
GROUP NET LOSS after providing for Taxation			1,975		145,713
Deduct:					
Amounts applied by Subsidiary Companies from Profits brought forward		3,037			57,223
Taxation recoverable thereon					42,500
			3,037		99,723
PROFIT OF THE PARENT COMPANY			1,062	(Loss)	45,990
Add:					
Taxation provisions no longer required	7,103			(Deduct)	
Balance brought forward from last year	41,281				91,756
		48,384			
Balance available for appropriation as follows:		49,446			45,766
Dividends paid and accrued on 6% Cumulative Preference Stock, less Income Tax		4,631			4,485
Balance carried forward by Parent Company		44,815			41,281
Balances brought forward by Subsidiary Companies		23,502		80,725	
Add: Taxation provision no longer required		322			
		23,824		80,725	
		3,037		57,223	
Less: Applied against Loss for the year as above					
Balances carried forward by Subsidiary Companies		20,787			23,502
Balance carried forward in Consolidated Balance Sheet		£65,602			£54,783

- NOTES—1. In prior years the gross profit attributable to balances outstanding on hire purchase sales as at the accounting date has been carried forward, but as regards the balances outstanding at the termination of the year to 27th June, 1959 the amount of profit carried forward was computed on an adequate but reduced basis. Consequential upon this change in accounting basis the results of the year include a profit of £25,212, which would have been attributable to the previous year had the provision for unearned profit at 28th June, 1958 been computed in a similar manner to that at 27th June, 1959.
2. There has been charged against the above profit on trading an amount of £42,097 (1958—£134,606) in respect of differences arising in the debtor accounts.
3. No depreciation has been written off Freehold Properties as the Directors are of the opinion that current values are in excess of the amounts shown in the Balance Sheet.

CITY NOTES

THE stock-markets are now at the quietest for many months. The prevailing view is that industrial equities should remain steady at prices around ruling levels but that in the short-term funds may tend to move into fixed-interest securities and into deposits. The rise in Bank rate has made industrial banking deposits particularly attractive from a yield point of view, and the placing of money in this direction rather than in the gilt-edged section may tend to put a brake on the anticipated improvement in that section.

Bank rate at 5 per cent has yet to prove its worth in taking the edge off demand for credit, and it is being suggested in some quarters that it is not necessarily sound to view the next Bank rate change as inevitably downwards.

Meanwhile, economic forecasts of the pattern of production, exports and spending suggest rises under all heads of a size likely to result in some further consideration of the possible dangers of an over-expanding economy.

Under such circumstances the equity market is likely to remain in check although company results in the main certainly justify the maintenance of present price levels.

'Markets are likely to move sideways in the next few months' is typical of present comment on the immediate outlook. It remains to be seen whether investors new to the market will be content to hold on to good-class shares during an uncertain period. There has been some fringe selling recently and with institutional investors temporarily out of the market, worth-while support seems likely to be left to the employment of new funds raised by unit trusts.

RATES AND PRICES

Closing prices, Wednesday, February 3rd, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Nov. 27	£3 7s 11·95d%	Jan. 1	£3 14s 6·24d%
Dec. 4	£3 10s 7·23d%	Jan. 8	£3 14s 11·06d%
Dec. 11	£3 11s 6·91d%	Jan. 15	£3 15s 7·79d%
Dec. 18	£3 12s 10·50d%	Jan. 22	£4 11s 1·19d%
Dec. 24	£3 13s 8·82d%	Jan. 29th	£4 10s 9·18d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-½	Frankfurt	11·68½-69½
Montreal	2·66½-½	Milan	1739½-4
Amsterdam	10·57½-½	Oslo	20·03½-½
Brussels	139·81½-½	Paris	13·76½-8
Copenhagen	19·34½-35½	Zürich	12·14½-15½

Gilt-edged

Consols 2½%	48½	Funding 4% 60-90	92½
Consols 4%	71½	Savings 2½% 64-67	84½
War Loan 3½%	63½	Savings 3% 55-65	91½xd
Conversion 3½%	64½	Savings 3% 60-70	81½xd
Conversion 3½% 1969	86½	Savings 3% 65-75	75½xd
Exchequer 5½% 1966	104½	Treasury 2½%	47½
Funding 3% 66-68	84½	Treasury 3½% 77-80	77½
Funding 3% 59-69	84½	Treasury 3½% 79-81	76½xd
Funding 3½% 99-04	70½	Victory 4%	95½xd

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Pre-acquisition Profits

SIR, - It is, I believe, standard practice and generally agreed that on the acquisition of a new subsidiary company, pre-acquisition profits should be capitalized but opinion seems to be divided as to whether the provision for future taxation at the date of acquisition should or should not be capitalized.

On the one hand, it is argued that as such provision

is not a liability at the date of acquisition (*Re Duffy, Lakeman v. Attorney-General* ([1948] 2 All E.R. 756)) it should be capitalized. On the other hand, it is argued that as the provision eventually crystallizes into a liability which has been attracted by profits earned prior to acquisition, it should not be capitalized.

So far as I am aware, there is no provision in the Companies Act, 1948, which requires pre-acquisition profits to be capitalized, and indeed, the only reference in the Act to such profits which I can trace is paragraph 15 (5) of Part 2 of the Eighth Schedule which merely relates to the statement to be annexed to a balance sheet where group accounts are not submitted. It therefore seems that the purpose of the capitalization is to prevent payment of dividends out of capital.

If this is in fact the case, then if income tax at standard rate is provided on all post-acquisition profits, the payment of dividends out of capital is

prevented, even if the provision for future taxation is not capitalized, and the question as to whether the provision for future tax is, at the date of acquisition, a liability or not seems to be immaterial.

The views of your readers would be appreciated.

Yours faithfully,
ROSSENCOLL.

Office Mechanization

SIR, — Mr F. Barter, of Southsea, commenting in your issue dated January 2nd on 'Abacus's' earlier letter regarding the disadvantages of mechanization in the office, seemed distressed to learn a company could not give details of payments received from a firm (a client of Mr F. Barter) during a twelve-month period.

If the firm is in business to give such information, then the distress of Mr Barter is understandable. On the other hand, probably the firm has a more valuable contribution to make to society and to its own well-being, and finds that such information is superfluous, even for its own auditors.

Finally I would commend the 'slip system' to your correspondent and through him to his clients, because in the right circumstances it is an example of how efficient a *non-mechanized procedure* can be made when only the essentials are retained.

Yours faithfully,
O. & M.

Not Accountants

SIR, — I think that most accountants, and associations of accountants, have always resented bookmakers and commission agents designating themselves as 'accountants'. I consider that representation should be made to the Government, jointly by the different associations, for a clause to be inserted in the new Betting Act to licence bookmakers, prohibiting any bookmaker or commission agent using the word 'accountant' in his descriptive title.

Yours faithfully,
Liverpool. W. D. S. DUNN.

Investment Club Accounts

SIR, — Some time ago the accounts of The Wirral Investment Club were published in *The Accountant* ('Finance and Commerce', November 14th issue), the presentation of which interested us greatly.

Our own accounts are a complete contrast in presentation and I am, therefore, enclosing a copy for your perusal [reproduced below].

This club was formed in May 1959 from members of the accounts department of a large company and takes its name from the location of the department.

Monthly general meetings are held and the activities co-ordinated by a chairman, hon. secretary, hon. treasurer and an investment committee of three

members. It is interesting to note that a third of the club's members are qualified accountants.

Yours faithfully,

B. LANGSTONE,

Hon. Secretary,
Birmingham. M.3. INVESTMENT CLUB.

M.3. INVESTMENT CLUB

Profit and Loss Account for the Eight Months ended December 31st, 1959

	£	s	d	£	s	d
Profit on Sale of Investments	61	1	10			
Less Loss on Sale of Investments	12	8	6			
				48	13	4
Dividends received (less tax)	9	19	11			
Less Dividend due to purchaser (less tax)	2	4	1			
				7	15	10
Excess of market valuation at December 31st, 1959, of the present holdings, over the cost price	138	6	4			
Less Reserve for Selling Expenses	8	19	4			
				129	7	0
				185	16	2
Less						
Initial expenses	1	1	0			
Bank charges and cheque book	15	0				
Purchasing expenses	22	5	4			
Selling expenses	3	16	4			
				27	17	8
				157	18	6
Less Proportion of Profit paid to retiring member				4	6	8
				153	11	10
Profit Earned				£153	11	10

Balance Sheet as at December 31st, 1959

	£	s	d	£	s	d
Capital contributed by members	505	0	0			
Less Capital repaid to retiring member	15	0	0			
				490	0	0
Profit earned, as above				153	11	10
Total Fund, apportioned as per attached summary				£643	11	10
which is represented by:						
Investments (at market valuation)						
62 £1 ordinary shares in T. Firth and J. Brown Ltd				155	0	0
50 £1 ordinary shares in Stewarts and Lloyds Ltd				142	16	3
17 £1 Rights Issue ordinary shares in Stewarts and Lloyds Ltd				32	3	10
50 £1 ordinary shares in Parkinson and Cowan Ltd				135	12	6
				465	12	7
Less Reserve for Selling Expenses				8	19	4
				456	13	3
Other Assets						
Accrued dividends (less tax)	4	14	7			
Net proceeds of sale of Investments in the hands of the broker	174	15	6			
Cash in hand of the Hon. Treasurer	3	1	3			
Balance at Midland Bank Ltd	6	11	4			
				189	2	8
Less Dividend due to purchaser (less tax)	2	4	1			
				186	18	7
Total Assets				£643	11	10

F. E. INGS, Chairman.
A. E. HARPER, Hon. Treasurer.

Auditor's Report

I hereby certify that the above accounts exhibit a true view of the state of the affairs of the M.3. Investment Club, and that I have had vouchers supporting the Club's assets produced to me, and that I have verified the same. I also certify that the attached summary shows the correct amount of the equitable share of each individual member.

JOHN S. BULLEN, Hon. Auditor.

INLAND REVENUE

EXTRA-STATUTORY CONCESSIONS

We reproduce, with the permission of the Controller of H.M. Stationery Office, from the 102nd report of the Board of Inland Revenue, the following extra-statutory concessions in operation at January 31st, 1959, in addition to those published in the Board's 100th and 101st reports, and reproduced in our issues of January 25th, 1958, and February 7th, 1959. The concessions are of general application and it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.

INCOME TAX

1. Double Taxation Relief - Alimony etc. under United Kingdom Court Order or Agreement: Payer Resident Abroad

Where alimony or small maintenance payments are made under a United Kingdom Court order or agreement, the income arises from a United Kingdom source regardless of the country of residence of the payer. Notwithstanding that the source is, in law, a United Kingdom source, relief by way of credit is allowed where:

- (a) the person making the payments has left the United Kingdom and become resident in an overseas country;
- (b) the payments are made out of that person's income in that country and are subject to tax there;
- (c) United Kingdom income tax if deducted from the payments is duly accounted for; and
- (d) the payee is resident in the United Kingdom and effectively bears the overseas tax.

2. Meal Vouchers

Where meal vouchers are, in law, taxable emoluments of the employees to whom they are issued, income tax is not charged on their value if the following conditions are satisfied:

- (a) vouchers must be non-transferable and used for meals only;
- (b) where any restriction is placed on their issue to employees they must be available to lower paid staff;
- (c) the value of vouchers issued to employees does not exceed 3s for each working day.

For 1959-60 and subsequent years the value of any voucher or part of a voucher which does not comply with these conditions is taxed.

STAMP DUTIES

3. Transfers of Stock issued by Local Authorities in Northern Ireland

Under Section 31, subsection (2), Finance Act, 1953 (now re-enacted in part in the proviso to Section 34, subsection (5), Finance Act 1958), transfers of new local authority stock are charged to stamp duty at half the rate generally applicable to other transfers, i.e. at 1 per cent. The definition of new local authority stock in the said Section 31, subsection (2), does not technically cover stocks of local authorities in Northern Ireland. In practice, the lower rate of stamp duty is charged on transfers in Great Britain of new stock issued by such local authorities.

Reciprocal treatment is given by the Northern Ireland Government to transfers of new stock issued by local authorities in Great Britain.

ALTERATION OF EXISTING CONCESSION

INCOME TAX

Number on list in Board's 100th Report.

29. Income of Roman Catholic Religious Communities or of their Members

This concession stated that in the case of contemplative orders and other orders which are not, in law, capable of being regarded as charities, a proportion of the aggregate income of the community not exceeding £70 per monk or nun (as representing the amount applied for the maintenance of each individual) is regarded as his or her income for the purpose of relief from tax. The figure of £70 has been increased to £110 with effect from the year 1957-58.

EXTRA-STATUTORY CONCESSIONS WHICH HAVE CEASED TO OPERATE

during the year ended January 31st, 1959

PROFITS TAX

Number on list in Board's 100th Report.

2. DETERMINATION OF NET RELEVANT DISTRIBUTIONS TO PROPRIETORS

The Finance Act, 1958, abolished the scheme of profits tax previously in force and with effect from April 1st, 1958, substituted a flat rate of tax on the profits of trades or businesses within the charge to tax.

Since the profits tax payable on the profits of such trades and businesses is not now affected by the manner in which the profits are applied, this concession ceased to be relevant in regard to chargeable accounting periods ending after the beginning of April 1958.

ESTATE DUTY

Number on list in Board's 100th Report.

9. VALUATION OF HOUSE OWNED AND OCCUPIED BY THE DECEASED

The Chancellor of the Exchequer announced on January 20th, 1959, in reply to a Parliamentary question (*Hansard*, Vol. 598, Col. 13, Written Answers) that the wartime conditions which this concession was designed to meet no longer obtained and that in current circumstances there were only seldom grounds for its application. It would accordingly not apply in the case of any death occurring after that day.

THE SOCIETY OF INCORPORATED ACCOUNTANTS

(In Voluntary Liquidation)

THE LIQUIDATORS' REPORT

A general meeting of the members of The Society of Incorporated Accountants was held on Wednesday, January 27th, at the Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London. Sir Richard E. Yeabsley, C.B.E., F.C.A., the President, was in the chair.

The purpose of the meeting was to approve the liquidators' acts and dealings and the conduct of the winding-up proceedings up to October 31st, 1959, to appoint a new liquidator consequent upon the resignation of Mr I. A. F. Craig as liquidator and to fix the liquidators' remuneration.

REPORT OF THE JOINT LIQUIDATORS

After the notice convening the meeting had been taken as read, Mr James A. Allen, F.C.A., presented the liquidators' report, as follows:

The joint liquidators submit their report and an account of their receipts and payments during the period from November 1st, 1957, to October 31st, 1959.

In order to minimize expense in circularizing members, the liquidators sought and obtained authority from the Board of Trade under the provisions of Section 289 of the Companies Act, 1948, to defer convening a general meeting of members until not later than January 31st, 1960. This postponement has enabled the liquidators to include in their account transactions relating to the sale of Incorporated Accountants' Hall.

Realizations

Debenture Interest Bank Account

Interest warrants for a total amount of £20, which had not been presented for payment at November 1st, 1957, remain outstanding. The balance of debenture interest bank account held against presentation of these warrants was included in the bank balances transferred to the liquidators at the commencement of the winding-up.

Investments

The investments of the Society were sold prior to the commencement of the winding-up and the proceeds of sale, £32,701, were duly collected by the liquidators. An amount of £30,000 was set aside therefrom for the repayment of the 5 per cent mortgage debentures and was invested temporarily with Kilmarnock Corporation.

Debtors

All book debts at November 1st, 1957, have been collected except for £23 and £117 due from the South African Eastern and Western branches respectively.

Research Committee Publications

Orders received by the liquidators from time to time

were met where stocks were available. An offer for the sale of these publications at reduced prices was made in *Accountancy* and, after all requests for copies of the remaining booklets had been met, the stocks on hand at July 31st, 1959, were destroyed when Incorporated Accountants' Hall was vacated. The liquidators collected £1,345 from sales of these publications and from royalties on five works published on behalf of the Society by the Oxford University Press. Future royalty payments are being assigned to The Institute of Chartered Accountants in England and Wales ('The English Institute').

Library

The books in the Society's library required immediately by the English Institute to cater for the increased demand were transferred to its library at Moorgate Place. Students' books were transferred to the library of The Chartered Accountants Students' Society of London. A number of other books not required at Moorgate Place were distributed to some of the English Institute's district societies.

Quite a number of the Society's collection of early books filled gaps in the Institute's collection and the remainder are being held with the idea that they might possibly be presented on some future occasion to overseas Institutes.

The books not required by the English Institute were put up for sale at nominal prices and those remaining at July 31st, 1959, were destroyed.

Incorporated Accountants' Hall

The hall was sold on July 31st, 1959, to Smith & Nephew Associated Companies Ltd, for £168,000. Certain items of furniture were transferred to the English Institute and the remaining furniture and fittings realized £2,100.

Advances by the English Institute

Pending the sale of Incorporated Accountants' Hall, the English Institute advanced sums totalling £24,300 to enable the liquidators to discharge all liabilities including the maintenance of the Hall and certain other additional commitments, such as the expenses of the November 1957 examinations for which, at the request of the English Institute, they had assumed responsibility.

Accountancy

The expenses of publishing *Accountancy* up to and including the December 1957 issue, £3,412, were met from the liquidation funds. Although the English Institute assumed responsibility for the publication of *Accountancy* from January 1st, 1958, the liquidators were authorized to collect the 1958 *Accountancy* subscriptions pending the sale of Incorporated Accountants' Hall. The subscriptions collected amounted to £7,179.

Disbursements**Unsecured Creditors**

All debts owing by the Society at the date of liquidation have been paid, commuted or otherwise discharged, with the exception of a total amount of £18 owing to various creditors who cannot be traced.

Annuities

Supplementary pensions paid by the Society to former members of the staff were commuted by the purchase of annuities costing £6,612.

Stamp-Martin Scholarship

The grants due for 1958 and 1959 were duly paid over by the liquidators

Distribution of Surplus Assets

On the completion of the sale of Incorporated Accountants' Hall, the liquidators transferred to the English Institute the sum of £153,566

District Societies and Branches

The liquidators co-ordinated the dissolution of the various district societies and branches (other than the South African branches) and supervised the transfer of surplus assets to the appropriate district societies of the English Institute and to the Irish Institute. The cash balances thus transferred which totalled £5,129, did not come into the hands of the liquidators and do not, therefore, appear in the receipts and payments account.

The liquidators are advised that there is doubt about the legal ownership of the surplus assets of the South African branches. The English Institute, however, has made certain proposals and, in the light of them, the liquidators will comply with a request by the English Institute that they should execute a formal assignment in its favour of any rights which the Society may have in those surplus assets.

Litigation in India

In 1953, the Society instituted proceedings in India against an organization styled 'The Society of Incorporated Accountants and Auditors of India' to restrain it from using this title and its members from using the designation Incorporated Accountant or the initial letters F.S.A.A. and A.S.A.A.

A petition for an interim injunction was refused in 1955, but the Society lodged an appeal which was heard in the Punjab High Court in October 1958. An injunction to restrain the use of the title 'The Society of Incorporated Accountants and Auditors of India' was refused but a perpetual injunction was granted to restrain members of this Indian body from describing themselves as Incorporated Accountants or from using the initial letters F.S.A.A. and A.S.A.A. The Society was awarded Rs500 as damages and half its costs. The Indian body appealed against this judgment and its application for a stay of execution of the perpetual injunction has been granted pending the hearing of the appeal.

Resignation of Liquidator

Mr I. A. F. Craig, who resigned as an assistant secretary of the English Institute on December 31st, 1959, submits his resignation as a joint liquidator and the members will be requested to approve a resolution for the appointment of Mr C. A. Evan-Jones in his place.

Cash and Bank Balances

	£	£	s	d
At December 31st, 1959, the balances in hand amounted to		10,859	0	6
From which are to be deducted:				
Liquidators' remuneration (subject to the approval of the members)				
James A. Allen ..	£2,100			
I. A. F. Craig ..	105			
		2,205		
Provision for Indian litigation costs and miscellaneous liquidation expenses	1,000			
		3,205	0	0
		<u>£7,654</u>	<u>0</u>	<u>6</u>

This balance of £7,654 0s 6d has been transferred to the English Institute, an undertaking having been given to the liquidators that the English Institute will meet any liabilities in excess of the amount retained in hand.

The liquidators wish to record their appreciation of the assistance and co-operation which they received at all times from former members of the Society's staff.

JAMES A. ALLEN }
I. A. F. CRAIG } *Joint Liquidators*

The Report is Approved

THE PRESIDENT: Well, gentlemen, that is the report of the liquidators, but may I first of all repair an omission of mine? At the outset of the meeting I should have said that it was at the request of the liquidators that I occupied the chair this afternoon - I hope with your approval. (*Hear, hear.*)

The report is before you and some of you may have had the opportunity of glancing through it, or at least the receipts and payments account that accompanied the report that Mr Allen has just read. If any of you have any questions arising from these accounts he, I am sure, would be very happy to answer them. (*A pause.*) As there appear to be no questions, I will formally move:

'That the account of the liquidators' acts and dealings and of the conduct of the winding-up during the years ended October 31st, 1958, and October 31st, 1959, be and is hereby approved.'

and I will ask my vice-president, Mr Baldry, to be kind enough to second.

Mr E. BALDRY, O.B.E., F.C.A.: I will second the resolution.

Mr A. V. HUSSEY, F.C.A.: Mr Chairman, just before that is put may I make this one observation? I think possibly everybody in the room, with perhaps just one exception, is a qualified accountant and I think it is a little awkward, you know, to expect even qualified accountants to assimilate accounts before them in the space of about sixty seconds. Could we, therefore, first hear through you, Mr Chairman, whether or not these accounts have been subject to submission to persons other than ourselves here at this meeting and that they have presumably met with approval?

THE PRESIDENT: Thank you, Mr Hussey. The short answer to that question is that other people have seen them and I have heard nothing to the contrary. What I would like to add, and I am sure that the joint

liquidators would wish me to add, is that not only are their thanks due to the late members of the Society but also, of course, to their colleagues at the Institute who have always collaborated with them in achieving what I hope we all have in mind is a happy solution to the problems with which the liquidators were faced.

Mr HUSSEY: Thank you very much.

THE PRESIDENT: I now put the resolution to the meeting. Those in favour kindly signify; to the contrary; I declare the resolution carried.

Tribute to Mr Craig

The next item refers to the resignation of Mr Craig. It is:

'That the resignation of Mr Ian Archibald Forbes Craig, O.B.E., B.A., as a liquidator in the winding-up of the company be accepted and that Mr Cecil Artimus Evan-Jones, M.B.E., be a liquidator in the winding-up of the company in the place of the said Mr Craig and jointly with Mr James Atkinson Allen, F.C.A.'

Before asking my vice-president to second this I would like, if I may, before saying thanks to Mr Allen for all that he has done on our behalf, to say this in regard to our worthy Ian Craig.

I am sure that you and indeed all members of the Society will have learned with great regret of Mr Craig's resignation from the staff of the Institute. At the last Council meeting of the Institute Mr Craig's resignation was received with real regret and due appreciation was expressed of the services he had rendered while with the Institute.

On his resignation at this meeting as one of the joint liquidators of the Society, this is the last occasion I shall have of publicly thanking him personally for all he has done. On my own behalf and I am sure I speak for all my colleagues on the late Council of the Society and indeed all members of the Society, I express the deep sense of gratitude we feel towards Mr Craig for all he has done for the Society since he joined as assistant Secretary in September 1946.

Mr Craig succeeded our old friend Mr Alex Garrett on January 1st, 1950, and he carried on with great zeal and, indeed, success the high standard of service rendered by his predecessor. As I have said on a previous occasion, the Society was indeed fortunate in those who served it as secretary and Mr Craig as the last holder of that office was worthy in every sense. With the efficient discharge of all his duties, he combined a charm of manner and delightful personality that endeared him to all with whom he was associated.

It was during my period of office as the last President of the Society that I came to know him best and had the opportunity of appreciating the sterling qualities he possesses. In connection with the Integration Scheme he was indefatigable in his efforts to achieve its successful outcome and he did not spare himself in any way to that end. All who know of the great service that he then rendered to the Society and indeed to our profession, will, I am sure, associate themselves with this expression of my heartfelt thanks to Mr Craig.

Whatever the future may hold in store for him, he leaves us with the best wishes for a successful career in whatever walk of life it may be. (*Applause.*)

I call upon the vice-president to be good enough to second the resolution that I put to you.

MR BALDRY: Mr President, I should like, if I may, to associate myself personally with all you have said

about our friend, Ian Craig. I cannot say I second this resolution with pleasure, but I second the resolution and only regret that one has to do it.

THE PRESIDENT: Appreciating, as I am sure I am right in doing, that you associate yourselves with my remarks, will you kindly express your views on the resolution before you? Those in favour; to the contrary; I declare the resolution carried and I hope, Mr Craig, that you may take it as a complete endorsement of the remarks which I myself have made. (*Applause.*)

MR I. A. F. CRAIG, O.B.E., B.A.: Sir Richard and gentlemen, thank you very much indeed, Sir Richard, for all that you have said. It is never very easy to say farewell and I am quite certain that you do not want me to embark on a long speech. I have thoroughly enjoyed my days with the Society and undoubtedly my wife and I have very real cause to marvel at, and to be grateful for, the warmth of your kindness and friendship. I must not falter in my resolution to be very brief and I must not reminisce even to tell you of the memorable day when my name was coupled with that of perhaps the greatest Englishman of all time—the day Scotland Yard arrived at Temple Place to investigate an application for the arrest of Sir Winston Churchill and Ian Craig on the allegation that they severally had done something to restrict the liberties of one of Her Majesty's subjects! I hasten to tell you that that incident occurred long before the publication of a certain scheme. (*Laughter.*)

In conclusion I should like to say simply and sincerely 'Thank you very much indeed, all of you,' and I include, of course, former members of the Society's staff for their very great kindness to me. This is not the time to dwell on the glories of the past. A new era has dawned and I hope that it may prove to be even happier and more rewarding for you all. That, indeed, is my most sincere wish. Thank you very much indeed. (*Applause.*)

Liquidators' Remuneration

THE PRESIDENT: The next item is the matter of the liquidators' remuneration. The first is:

'That Mr Craig's remuneration as joint liquidator for the period up to December 31st, 1959, having been covered by his salary from The Institute of Chartered Accountants in England and Wales, an honorarium of one hundred guineas be now voted to him by way of remuneration from January 1st, 1960, to the date of his resignation as a liquidator, and that a cheque for that sum be sent to him.'

I will ask the vice-president to second the resolution.

MR BALDRY: I second that resolution.

THE PRESIDENT: If there are no comments or observations on this resolution I formally put it. Those in favour; to the contrary; I declare that resolution carried.

The second resolution is:

'That a sum of two thousand guineas be voted to Mr James Atkinson Allen, F.C.A., by way of remuneration as joint liquidator up to the completion of the liquidation, and that a cheque for that sum be sent to him.'

Before formally moving that I should like to say that Mr Allen has been associated with – if I may say so – the internal affairs of the Society for a long period. He has served us well. In this matter of liquidation, he and Ian Craig have served both us and the English Institute well. There have been a number of problems

with which they have been concerned, not least of which was the sale of Incorporated Accountants' Hall. That it should have been necessary for it to be sold was a matter of great disappointment to members of the Society including members who now serve on the Council of the English Institute, but you all know that the Hall, beautiful as it is, is restricted in the accommodation that it offers, and it was not until after very great consideration that the Institute decided to sell it. Its sale created problems and our joint liquidators are to be congratulated on the successful outcome of their negotiations. I know the depth to which the tenders descended and I therefore appreciate the excellent bargain which the liquidators eventually made. I have already expressed our thanks in this connection to our worthies Ian Craig and I now say 'Thank you' to our worthy James Allen. I now formally put the resolution to you and I will ask the vice-president to second it.

MR BALDREY: At the risk of being monotonous, I second the resolution.

THE PRESIDENT: Those in favour; to the contrary; I declare that resolution carried.

Thank you all very much indeed for your confidence. I am sure the liquidators will join with me in regarding it as a compliment to us that you have seen fit so to do.

MR JAMES A. ALLEN, F.C.A.: Gentlemen, before you

leave may I say one or two final words? I should like to thank you Sir Richard, for your words of appreciation and to thank Ian Craig for his assistance during our two and a quarter years as joint liquidators. Before I come to the most important reason for my rising to my feet you may be interested to know that although our Hall has gone, we have managed to arrange with the London Museum that they should take charge of the coat of arms that used to hang outside. The assistant keeper writes saying 'I am very glad to see your sign here at last and look forward to putting it on exhibition before very long'. We shall thus have a little token of remembrance there in London in perpetuity.

Sir Richard mentioned that he occupied the chair today at the request of the liquidators. We thought it most right and fitting for him to do so on this occasion. On other occasions tribute has been paid to Sir Richard's great work for the Society during his last year in office but I would like to pay my own tribute and thank him for his kindness, assistance and advice during these past two and a quarter years and also for taking the chair at our meeting today. I hope, gentlemen, that without asking anyone to second it you will support my resolution in the normal manner. (*Applause.*)

THE PRESIDENT: Thank you very much, gentlemen. The proceedings then terminated.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Correction to Examination Results

The Secretary of the Institute very much regrets that in the list of successful Final examination candidates published in *The Accountant* of January 30th, Mr P. F. Spurway, F.C.A., Cardiff, the former principal of Mr R. L. Phillips, was shown as deceased. The list should have indicated that the former principal of Mr L. W. Pilgrim was deceased.

PROFESSIONAL NOTICES

MESSRS BURNE, PHILLIPS & CO, Chartered Accountants, and MESSRS BURTON & DISLEY, Chartered Accountants, announce that they have amalgamated their practices. The combined practice will be carried on from 207 Deansgate, Manchester, 3, under both names, by Mr R. H. E. WILKINSON, F.C.A., Mr R. P. WILKINSON, F.C.A., Mr B. A. TONES, F.C.A., and Mr T. ALDERSON, F.C.A.

MESSRS TRIBE, CLARKE, MONTGOMERY WILLIAMS & CO, Chartered Accountants, of 11 and 12 Wind Street, Swansea, have pleasure in announcing that as from January 1st, 1960, Mr FREDERICK CENYDD RUDD, A.C.A., who was formerly in their employ, has been admitted to partnership, the style of the firm remaining unchanged.

MESSRS W. RONALD COOPER & SON, Chartered Accountants, of 9 Clarendon Street, Nottingham, announce with great regret the death, on January 21st, 1960, of Mr W. RONALD COOPER, F.C.A., senior partner and founder of the firm in 1913. Mr PETER R. COOPER, A.C.A., will continue to carry on the practice at the

same address and the name of the firm will remain unchanged.

MR R. C. ANDERSON, C.A., practising under the style of ANDERSON & RITCHIE, Chartered Accountants, of 249 West George Street, Glasgow, C2, has assumed Mr LESLIE W. T. MARTIN, B.L., C.A., as a partner as from February 1st, 1960. The style of the firm will remain unchanged. Mr MARTIN, who is also a partner of MACEWING, BROWN, MARTIN & AITKEN, Chartered Accountants, of 114 West Campbell Street, Glasgow, C2, will now practise from both addresses.

Appointments

Mr J. R. Vernede, F.C.A., has been elected vice-chairman of the Tea Trade Committee.

Mr W. I. French, D.S.O., O.B.E.(MIL.), T.D., C.A., has been elected deputy chairman of Sir William Arrol & Co Ltd.

Mr W. D. Mather, M.A., F.C.A., has been elected chairman of Sheffield Stock Exchange for 1960.

Mr Gordon H. Cartwright, F.C.A., has been appointed a director of Daily Mirror Newspapers Ltd.

Mr Ian T. Morrow, C.A., F.C.W.A., has been appointed deputy chairman of Hector Whaling Ltd.

Mr W. H. McFadzean, C.A., has been elected chairman of the newly-constituted Council of the Industrial Federations of the E.F.T.A.

Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., former director of The Institute of Cost and Works Accountants, has been appointed consultant advisor to Urwick, Orr & Partners, with special reference to professional, social and non-profit organizations.

IN PARLIAMENT

Resale Price Maintenance

Mr JAY asked the President of the Board of Trade whether, in view of the need for lower retail prices, the Government will repeal Section 25 of the Restrictive Trades Practices Act, 1956, which enables manufacturers to enforce their prices on retailers.

Mr LEDGER asked the President of the Board of Trade if he will consider repealing that part of the Restrictive Trades Practices Act, 1956, which enables manufacturers of proprietary goods to enforce price maintenance through the Courts.

Mr C. OSBORNE asked the President of the Board of Trade, in view of the general policy of Her Majesty's Government to reduce prices, if he will introduce an amending Bill on the Restrictive Trades Practices Act, 1956, that will allow a manufacturer to sue a retailer only if he sells above the recommended retail price; and if he will make a statement.

Mr J. RODGERS: My right hon. friend is studying the working of this part of the Restrictive Trades Practices Act, 1956, in order to decide whether any changes should be recommended to Parliament, but it will be some time before he will be able to make a statement.

Hansard, Jan. 26th, 1960. Oral Answers. Col. 4.

Finance Act, 1957:

Overseas Trade Corporation Provisions

Mr STEVENS asked the Chancellor of the Exchequer the anticipated cost to the Inland Revenue of extending to subsidiary companies incorporated outside the United Kingdom the overseas trade corporation provisions of the Finance Act, 1957.

Sir E. BOYLE: The cost cannot be estimated precisely but would probably be several million pounds in a full year.

Mr STEVENS asked the Chancellor of the Exchequer what additional amount of tax he estimates would have accrued to the Inland Revenue in the years ended March 31st, 1958 and 1959 in the absence of the overseas trade corporation provisions of the Finance Act, 1957.

Sir E. BOYLE: £18 million and £20 million respectively.

Hansard, Jan. 29th, 1960. Written Answers. Col. 71.

Commercial Buildings: Tax

Mr D. PRICE asked the Chancellor of the Exchequer the loss of revenue to the Exchequer in a full year if commercial buildings were to be allowed as a charge for depreciation against tax in the same manner as industrial buildings.

Sir E. BOYLE: About £33 million in a full year.

Mr D. PRICE asked the Chancellor of the Exchequer the estimated loss of revenue to the Exchequer in a full year if the starting point for surtax were to be raised to £2,500, £3,000, £3,500 and £4,000 respectively.

Sir E. BOYLE: If the starting points and the rates and income bands for surtax were all moved up by £500, £1,000, £1,500, £2,000, the cost would be £27 million, £47 million, £63 million, £75 million respectively.

Hansard, Jan. 29th, 1960. Written Answers. Col. 72.

COUNCIL FOR THE REDUCTION OF
TAXATION

At a recent meeting of the Executive Council for the Reduction of Taxation, of which Mr Oliver Smedley, M.C., F.C.A., is chairman, the following resolution was passed and has been forwarded to the Chancellor of the Exchequer:

'The Council for the Reduction of Taxation recommends the following proposition, that:

- (1) The absolute limit of taxation should be the point at which the taxpayer can say to the Government "You take my share and I will take yours", and that consequently no category of taxation should permanently exceed 50 per cent of the amount to be taxed whether it be tax on income, on capital or on the value of goods.
- (2) The overall level of taxation, including rates, should never exceed 25 per cent of the national income.
- (3) The National Debt, already costing one-fifth of the total Budget or over £1,000 million per annum to service, should from henceforth be reduced annually out of Budget surpluses and not further increased; and
- (4) Total national and local government expenditure should be severely limited by these criteria.'

LIVERPOOL MANAGEMENT ACCOUNTING
CONFERENCE

The Liverpool Society of Chartered Accountants, in co-operation with the Merseyside Productivity Association, is holding a management accounting conference at *The Blossoms Hotel*, Chester, this week-end. The conference has been organized so that accountants and non-accounting business executives may have the opportunity of meeting together to discuss present methods and practices of management accountancy and to discuss current means whereby this accountancy service can be developed and used to increase efficiency and reduce costs.

Those attending the conference will be divided into syndicates which will meet informally after each of the four lectures to discuss the subject-matter and to formulate questions which the lecturer will answer at a further session.

The address of welcome is being given by Brigadier D. I. Crawford, C.B., D.S.O., T.D., A.D.C., D.L., chairman of Wm. Crawford & Sons Ltd. Throughout the conference the chair is being taken by Mr C. J. Peyton, F.C.A., President of the Liverpool Society of Chartered Accountants. The lecturers and their subjects are:

Mr C. E. Sutton, F.C.A., F.C.W.A., director, The Metal Box Co Ltd, 'What management requires from the accountant'.

Mr J. A. Murray, B.COM., F.C.A., F.C.I.S., secretary, Cammell Laird & Co Ltd, 'Forecasting of profits'.

Mr B. D. Tait, A.C.W.A., 'Control of product diversity'.

Mr R. Norbury, deputy director of studies, The Work Study School, Cranfield, 'Work study in the office'.

Mr G. St G. Wheeley, B.SC., A.I.M.E.E., chairman of the Merseyside Productivity Association, is to deliver some concluding remarks at the end of the conference.

LONDON AND DISTRICT SOCIETY OF
CHARTERED ACCOUNTANTS

A luncheon meeting of the London and District Society of Chartered Accountants will be held at the Connaught Rooms, Great Queen Street, London, WC2, on Monday, February 15th, at 12.30 for 1 p.m.,

when The Rt. Hon. Viscount Simon, C.M.G., chairman of the Port of London Authority, will be the guest speaker.

Any members of the Society who have bought tickets for the luncheon, but who would *not* be able to attend in the event of a railway strike, are asked – in order to assist in the catering – to advise the Secretary (Bishopsgate 0841) by Thursday next, February 11th.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of the London and District Society of Chartered Accountants will be held on Wednesday next, at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 for 6.30 p.m. The subject for discussion will be 'Further education and training'.

CENTRAL LONDON DISCUSSION GROUP

The next meeting of the Central London Discussion Group of the London and District Society of Chartered Accountants will be held at *The Princess Louise*, High Holborn, London, WC1, next Thursday, at 6 for 6.30 p.m. Mr J. F. Dixon, B.COM., A.C.A., will lead the discussion on 'Recent taxation trends'.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 6 p.m., at the Institute: Lecture on 'Why businesses form groups', by Mr R. O. A. Keel, F.C.A., Secretary, Thomas Tilling Ltd.

Tuesday, Visit to the Royal Mint (limited number).
6 p.m., at the Institute: Speakers' course practice debate on motion 'That the cinema and theatre should not be content merely to entertain'.

6.30 p.m., at Epsom: Lecture on 'Company finance and take-over bids', by Mr V. S. Hockley, C.A., A.A.C.C.A.

Wednesday, Association football *v.* London hospital.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'The fundamentals of accountancy', by Mr R. J. Carter, B.COM., F.C.A., secretary of the Students' Society.

Visit to a newspaper office (The 59 club).

6.15 p.m., at Luton: Lecture on 'The Stock Exchange', by Mr A. J. Whiteside, Barrister-at-Law.
Squash *v.* Lloyds.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'The functions and form of the profit and loss account and the balance sheet', by Mr R. J. Carter, B.COM., F.C.A., and 'The English judicial system (II)', by Mr P. W. Medd, Barrister-at-Law.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A joint lecture meeting with members of the Association of Her Majesty's Inspectors of Taxes will be held next Friday at the Leeds and County Conservative Club at 6.15 p.m., when Sir William Carrington, F.C.A., a Past President of the Institute, will give a talk on 'Different approaches to problems presented by the raising of the Queen's Revenue'.

Members and articled clerks wishing to attend should

notify Mr H. Bolton, F.C.A., c/o Messrs Smithson, Blackburn & Co, Atlas Chambers, King Street, Leeds, 1, by February 8th.

BEDS, BUCKS AND HERTS BRANCH

Some seventy members of the Beds, Bucks and Herts Branch of the London and District Society of Chartered Accountants, together with their senior articled clerks, attended an evening meeting on January 26th, at *The George Hotel*, Luton, under the chairmanship of Mr T. R. Keens, F.C.A., Chairman of the Branch. Mr Percy F. Hughes gave an address on 'Surtax directions', and after a buffet supper, Mr Hughes answered questions on the subject for an hour. A vote of thanks to the speaker was proposed by the Vice-Chairman of the Branch, Mr J. B. Pinnock, F.C.A.

Regular meetings of the discussion groups at Bedford, Luton and Watford continue and the next Branch function will be a luncheon meeting at Watford on Friday, April 29th, when Mr Enoch Powell, M.B.E., M.P., will be the principal guest. Notice of this meeting, to which members will be invited to bring guests, will be sent out in early March to all registered members of the Branch.

Members resident in Beds, Bucks and Herts who have not yet joined the Branch, are invited to send their applications to the Hon. Secretary, Mr E. J. Frary, F.C.A., 26 Victoria Street, Luton, Beds.

INTERNATIONAL FISCAL ASSOCIATION

'The distinction between charges and expenditure in the determination of money', is the subject of the Mitchell B. Carroll Prize to be awarded for 1960 by The International Fiscal Association. The Association, which has as its object the study of international fiscal law, awards the prize annually for the best monograph on a subject selected by the general assembly of the Association.

The closing date for entries, which should consist of eight typed copies and contain about 5,000 words, is July 31st. Further details about the prize may be obtained from the general secretariat of the Association, Nationale Handelsbank Building, 250 Singel, Amsterdam, Netherlands, or from the Secretary of the United Kingdom Branch of the Association, Mr O. Brooks, 122 Leadenhall Street, London, EC3.

THE INSTITUTE OF INTERNAL AUDITORS

Birmingham Chapter

A meeting of the Birmingham Chapter of The Institute of Internal Auditors, to be held at *The Cambridge Inn*, Cambridge Street, Birmingham, next Thursday, February 11th, at 6.30 p.m. (tea at 6 p.m.), will be addressed by Mr F. Fox on 'The audit of canteens and welfare services'.

THE LIFE OFFICES' ASSOCIATION

At the annual general meeting of The Life Offices' Association held on January 25th, Mr J. B. H. Pegler, F.S.S., F.I.S., general manager and actuary of the Clerical, Medical & General Life Assurance Society, was re-elected chairman. Mr S. F. Isaac, A.S.A., F.S.S., actuary and life manager of the Atlas Assurance Co Ltd, was re-elected deputy chairman.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Results of Examinations held in December 1959

FINAL EXAMINATION

(Second Division)

As a result of the examination held on December 14th, 15th, 16th, 17th and 18th, 1959, the undermentioned 165 candidates passed the Second Division of the Institute's Final examination. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned, a dagger indicating a candidate who passed with distinction and an asterisk a candidate who qualified for the Institute's Final examination certificate.

- *Adam, R. A. (Martin Currie & Co), Edinburgh.
- Alexander, H. A. D. (Kidston, Goff & Harvey), Glasgow.
- *Anderson, J. C. M. (Henderson & Loggie), Dundee.
- *Anderson, W. L. C. (J. Lawrence Grant), Glasgow.
- *Arora, J. (Rattray Brothers, Alexander & France), Glasgow.
- *Arthur, R. A. (Flockhart & Grant), Aberdeen.
- †*Bach, H. H. (Mackie & Clark), Glasgow.
- *Balfour, O. L. (Graham, Smart & Annan), Edinburgh.
- *Barclay, W. K. (Russ, Ferguson & MacLennan), Glasgow.
- *Bate, P. D. (George A. Touche & Co), London.
- *Beaton, A. (Jas. Henry Reid & Son), Aberdeen.
- *Beith, R. M. (D. M. McNaught & Co), Glasgow.
- Belch, J. S. M. (Thomson McLintock & Co), Glasgow.
- *Beveridge, J. G. (Grahams, Rintoul, Hay, Bell & Co), Glasgow.
- *Bonnar, D. K. (Dewar & Robertson), Edinburgh.
- *Brodie, A. G. (Gibson, Anderson & Co), Glasgow.
- *Brown, A. (F. D. Greenhill & Co), Glasgow.
- *Brown, I. D. (Geddes, Beaton & Co), Edinburgh.
- Brown, J. L. (J. Wyllie Guild & Ballantine), Glasgow.
- *Brownlie, A. J. H. (Miss) (Mitchell & Smith), Glasgow.
- *Byrnes, J. (Leo Higney & Co), Glasgow.
- *Calpin, M. (Lewis & Cook), Glasgow.
- *Cameron, J. (Davidson, Downie & McGown), Glasgow.
- *Campbell, D. M. (Ferguson & Vost), Glasgow.
- Campbell, J. (Welsh, Walker & Macpherson), Greenock.
- *Campbell, W. J. (Mitchell & Smith), Glasgow.
- *Captain, S. F. (Thomson McLintock & Co), Glasgow.
- *Cassels, J. McL. (Graham, Smart & Annan), Edinburgh.
- *Castle, J. R. W. (Smedley, Rule & Co), London.
- *Christie, J. R. (Thomson McLintock & Co), London.
- *Clark, A. C. (T. S. Aikman & Paterson), Aberdeen.
- *Clark, D. J. (Moore, Carson & Watson), Glasgow.
- *Clark, J. A. C. (Dingwall, Peden & Henderson), Edinburgh.
- *Clark, N. J. (Stevenson & Kyles), Glasgow.
- Cole-Hamilton, A. R. (R. A. Clement & Co), Glasgow.
- *Connel, A. C. (Martin Currie & Scott), Edinburgh.
- *Couper, R. D. (Howden & Molleson), Edinburgh.
- Cumming, I. (D. M. McNaught & Co), Glasgow.
- *Cunning, J. C. L. (Kidston, Goff & Harvey), Glasgow.
- *Dalnekoff, S. (Chas. Leigh Brown & Son), Glasgow.
- *Danskin, A. McC. (Todd & Gordon), Glasgow.
- *Dargie, J. (Chrystal, McIntyre & Co), Glasgow.
- *Denholm, J. A. (McFarlane, Hutton & Patrick), Glasgow.
- *Dobbie, J. W. (Mann, Judd, Gordon & Co), Glasgow.
- *Donald, W. A. (J. Wyllie Guild & Ballantine), Glasgow.
- *Donner, P. J. (Finnie, Ross, Welch & Co), London.
- *Douglas, A. E. M. (Charles Burrows & Co), Edinburgh.
- *Dracup, B. M. (Ferguson & Vost), Glasgow.
- *Dron, R. G. (Nairn, Bowes & Craig), Glasgow.
- *Duncan, A. F. (Wm. Home Cook & Co), Edinburgh.
- *Duncan, J. (Romanes & Aitchison), Edinburgh.
- *Duncanson, T. (McLachlan & Brown), Glasgow.
- *Eadie, G. M. (Brown, Fleming & Murray), London.
- *Easton, D. A. (Mackay, Irons & Co), Dundee.
- *Finnie, J. (Thomson, Jackson, Gourlay & Taylor), Glasgow.
- *Firth, W. E. (Smith & Williamson), Glasgow.
- *Fitzsimmons, R. B. (Mitchell & Smith), Glasgow.
- *Ford, J. D. N. (Nairn, Bowes & Craig), Glasgow.
- *Foreman, C. W. (Howden & Molleson), Edinburgh.
- *Fraser, I. R. S. (Dickson, Middleton & Co), Stirling.
- *Fraser, J. M. (Charles Burrows & Co), Edinburgh.
- *Frew, A. D. (Jardine, Dunlop & Anderson), Glasgow.
- *Gajree, R. K. (Warriner & Co), Birmingham.
- *Gardiner, P. S. (J. & R. Morison & Co), Perth.
- *Gillan, O. J. (Miss) (Chas. Leigh Brown & Son), Glasgow.
- *Gillon, A. R. (A. & J. Robertson), Edinburgh.
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- *Greaves, C. W. (McClelland, Moores & Co), London.
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- *Hamilton, J. F. W. (Mann, Judd, Gordon & Co), Glasgow.
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- *Hepburn, J. (Davies, Lochhead & Co), Glasgow.
- *Higgins, G. (McClelland, Moores & Co), Glasgow.
- *Hodge, S. B. J. (McClelland, Moores & Co), Glasgow.
- *Horne, M. D. (William D. Anderson & Co), Edinburgh.
- *Hunter, I. M. (Thomson McLintock & Co), Glasgow.
- *Hunter, J. R. K. (Wallace & Somerville), Edinburgh.
- *Husain, A. (McClelland, Moores & Co), Glasgow.
- *Husain, I. (Thomson McLintock & Co), Glasgow.
- *Keeley, M. A. (Parker, Lawson & Stevenson), Glasgow.
- *Kennedy, J. (J. & R. Morison & Co), Perth.
- *Kerr, J. P. A. (J. Wyllie Guild & Ballantine), Glasgow.
- *Keys, T. (J. G. Williamson & Smellie), Glasgow.
- *Khan, M. Y. (R. C. Kelman & Shirreffs), Aberdeen.
- *Khanna, P. S. (J. R. D. Campbell), Edinburgh.
- *Kilpatrick, D. W. (Thomson McLintock & Co), Glasgow.
- *King, J. O. (Mann, Judd, Gordon & Co), Glasgow.
- *Kingham, B. G. (Jas. Henry Reid & Son), Aberdeen.
- *Knowles, J. S. D. (James Milne & Co), Aberdeen.
- *Leishman, R. B. (Williamson & Dunn), Aberdeen.
- *Loudon, J. A. (A. G. Murray & Co), Edinburgh.

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 *Wilson, R. W. (Wilson, Stirling & Co), Glasgow.
 *Wright, J. G. (Howden & Molleson), Edinburgh.

INTERMEDIATE EXAMINATION

(Second Division)

As a result of the examination held on December 17th and 18th, 1959, the undernoted 170 candidates passed the Second Division of the Institute's Intermediate examination; their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

- Aitken, D. (Parker, Lawson & Stevenson), Glasgow.
 Aitken, H. W. (Graham, Smart & Annan), Edinburgh.
 Alexander, R. (Bower & Smith), Aberdeen.
 Anderson, D. H. (McClelland, Moores & Co), Glasgow.
 Arnott, R. P. (Reid & Mair), Glasgow.
 Austin, R. E. (Mann, Judd, Gordon & Co), Glasgow.
 Baird, R. S. McG. (David Strathie & Co), Glasgow.
 Baird, R. S. (Wylie & Bisset), Glasgow.
 Belch, R. A. (Kerr, MacLeod & Macfarlan), Glasgow.
 Beveridge, J. R. M. (Miss) (Alexander Arthur & Co), Glasgow.
 Blue, C. J. (McClelland, Moores & Co), Glasgow.
 Bookless, J. (Mitchell & Smith), Glasgow.
 Bretman, P. C. (Wilson, Currie & Donaldson), Glasgow.
 Brito-Mutunayagam, M. H. G. A. (W. J. M. Kean & Co), Edinburgh.
 Brown, D. A. (Gillespie & Anderson), Glasgow.
 Brown, I. F. (Wilson, Stirling & Co), Glasgow.
 Brown, K. J. McK. (Wylie & Bisset), Glasgow.
 Brown, T. L. (T. C. Garden & Co), Edinburgh.
 Burns, W. (Aikman & Glen), Glasgow.
 Buttle, A. C. (John E. Watson & Co), Glasgow.
 Campbell, C. W. McK. (Howden & Molleson), Edinburgh.
 Campbell, I. H. (J. Cradock Walker & McFadzean), Glasgow.
 Campbell, J. A. (Peat, Marwick, Mitchell & Co), Glasgow.
 Carter, G. J. (Wm. A. Finlayson), Perth.
 Cartwright, W. R. (John M. Geoghegan & Co), Edinburgh.
 Chalmers, B. W. (John M. Watson), Glasgow.
 Clift, R. (Flockhart & Grant), Aberdeen.
 Clubb, I. McM. (A. Galloway Brown & Co), Aberdeen.
 Connell, T. A. (Wilson, Stirling & Co), Glasgow.
 Coventry, T. T. S. (Stuart & Stuart), Dundee.
 Cowie, D. F. (John M. Taylor & Co), Glasgow.
 Crawford, A. S. (Graham, Smart & Annan), Edinburgh.
 Crawford, J. S. G. (Miss) (Miller, McIntyre & Gellatly), Perth.
 Crichton-Stuart, F. J. P. (A. G. McBain & Co), Glasgow.
 Cross, G. N. (McClelland, Moores & Co), London.
 Currie, J. (Turner & Houston), Glasgow.
 Darby, J. A. (George Hay & Co), London.
 Dawkins, R. H. T. (Thomson McLintock & Co), London.
 Day, J. E. I. (Thomson McLintock & Co), London.
 Dobson, A. B. (Wallace & Somerville), Edinburgh.
 Drysdale, B. D. (J. & R. Morison & Co), Perth.
 Drysdale, W. (Hardie, Caldwell Ker & Hardie), Glasgow.
 Duncan, T. W. (W. M. Kesson & Co), Glasgow.
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Gallagher, M. M. (David Strathie & Co), Glasgow.
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Low, C. B. (W. A. Findlay & Co), Dundee.
Low, J. M. (Turner & Houston), Glasgow.
Luke, D. C. (McFarlane, Hutton & Patrick), Glasgow.

McAndrew, N. (Peat, Marwick, Mitchell & Co), London.
McCall, R. (Turner & Houston), Glasgow.
McCann, F. J. (French & Cowan), Glasgow.
McClure, M. (Welsh, Walker & Macpherson), Greenock.
McCreadie, J. R. (Hardie & Rowan), Greenock.
McCrossin, F. E. J. (John E. Watson & Co), Glasgow.
McCulloch, R. B. (Wylie & Bisset), Glasgow.
MacDonald, D. A. (John M. Watson), Glasgow.
MacDonald, W. F. (Wilson, Stirling & Co), Glasgow.
Maceachern, J. (Mann, Judd, Gordon & Co), Glasgow.
McEwan, A. (Miss) (Turner & Houston), Glasgow.
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McGourty, F. (Peacock & Henry), Glasgow.
Mackenzie, A. N. (McLachlan & Brown), Glasgow.
Mackenzie, R. W. MacA. (Roderick MacLean & Co), Inverness.
McKnight, H. (Fleming & Wilson), Glasgow.
McLean, A. T. (Chrystal, McIntyre & Co), Glasgow.
MacLeod, D. M. MacR. (Davidson, Downie & McGown), Glasgow.
McNie, J. McG. (McClelland, Moores & Co), Glasgow.
MacPherson, D. L. (Moody Stuart & Robertson), Dundee.
Mathieson, M. C. A. (James Milne & Co), Aberdeen.
Meikle, A. MacP. H. (A. C. Philp & Co), Dunfermline.
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Murray, J. J. A. (McFarlane, Hutton & Patrick), Glasgow.
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Struthers, P. M. (Thomson McLintock & Co), Glasgow.
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Templeton, M. A. (R. C. Thomson & Murdoch), Dundee.
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Thomson, J. (Henry Brown & Co), Kilmarnock.
Thomson, R. H. (Thomson McLintock & Co), London.
Thomson, W. R. E. (A. & J. Robertson), Edinburgh.
Tilley, A. J. N. (J. W. & R. N. Oswald), Edinburgh.
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A Common Entrance?

NOT much has been heard of the Chartered Accountants Joint Standing Committee since it was created as a consequence of the integration scheme. Its immediate function on formation was to advise on integration problems but now that that exercise has been smoothly accomplished, the other and more permanent aspect of the committee's work - to advise the three chartered institutes on matters of common interest to the profession - comes into immediate perspective. From the announcement in the report of the January meeting of the Council of The Institute of Chartered Accountants in England and Wales elsewhere in this issue, it looks as if the objects of the committee are to be further extended. Every accountant with the interests of his profession at heart will welcome the establishment of the new Overseas Accountancy Examinations Advisory Board. The main tasks of the board - which may or may not be complementary - will be to advise overseas bodies on examination practice and, where asked, to conduct the examinations.

Although the Council states that examinations would be of 'such standards as those bodies may choose', it may reasonably be assumed that the board would do its utmost to see that the levels of learning will be fully compatible with those expected of a qualified accountant wherever he may follow his calling. The only way to ensure this would be to have one global set of examination papers, but before this could be done, the legislators of the world would have to get together and draft a universal set of laws. There is, however, much that could be done in the way of preparatory work for this millenium.

While, for example, the new board is pursuing its excellent missionary work abroad with, presumably, one eye on the standards maintained in Great Britain, the committee could help to simplify its task by considering the possibility of rationalizing the examinations set in this country by the three chartered bodies. At present, each institute has its own ideas as to what a chartered accountant should know. Could not a common examination syllabus be agreed upon for which one set of examination papers, with only minor local modifications, would suffice? Not only would this mean a tremendous saving of human effort which could be more profitably employed in other directions, it would demonstrate to the rest of the world that the members of the board offering advice on examinations were unanimous within themselves as to what constitutes the necessary subjects for a training in accountancy.

The Charities Bill

REVIEWING the report of the Committee, under the chairmanship of LORD NATHAN, on the Law and Practice relating to Charitable Trusts in our issue of January 3rd, 1953, we said that the report promised to be an important landmark in the history of charities. Another milestone was reached with the White Paper¹ published in 1955 and which was the subject of a leading article in our issue of August 20th of that year. Now, with the introduction into the House of Lords of the Charities Bill, the goal of the reform of the law of charity is in sight, particularly as the Bill is unlikely to prove controversial, and its passage into law should take but a few months.

If the task of tidying up one of the most complicated and archaic parts of the law has seemed to some unduly lengthy, at least they are likely to agree on perusal of the Bill that the work has been well done. Into the space of forty-eight clauses and four schedules (excluding those dealing with the repeal and amendment of statutes) has been compressed not only law which at present occupies the space of very many sections in a great number of statutes, but also a great deal by way of rationalization and reform. Obsolete provisions, including the whole law of mortmain, an anachronistic survival from feudal times, are swept away.

This is not to say that the Bill presages a drastic alteration of the substantive law of charity: far from it. It was indeed clear from the White Paper that the Government realized that any basic change in the law might well be harmful to charity; and it is accepted that charity is something to be encouraged. So the Bill is concerned with procedure rather than with substance; with making charities more useful and more efficient by simplifying the machinery of administration and providing guidance for trustees. While no attempt is made radically to alter the *cy-près* doctrine, whereunder the assets of charities which have wholly or partially failed may, under the sanction of a scheme made by the appropriate authority, be applied for similar purposes still

capable of fulfilment, the Bill sets out explicitly the occasions on which the *cy-près* doctrine may be called in aid, and declares the duty of trustees to apply for a scheme when the occasion arises.

The Charity Commissioners are to be continued in existence as a public department and the Bill expressly provides that they shall have the general function of promoting the effective use of charitable resources by encouraging the development of better methods of administration, by giving charity trustees information or advice on any matter affecting the charity, and by investigating and checking abuses. It is to be the general object of the Commissioners so to act as best to promote and make effective the work of any charity in meeting the needs designated by its trusts, but they are not themselves to have power – any more than they have at present – to act in the administration of a charity. THE MINISTER OF EDUCATION is given similar powers and duties in regard to charities within his jurisdiction. The Commissioners will be required to make an annual report on their work to the HOME SECRETARY, who must lay it before Parliament, but his jurisdiction does not, of course, extend to charities which are the Minister's responsibility.

An important innovation is the register of charities. At present there is no central register and hence no complete record of all the charities which exist, so that any estimate of their number is no more than approximate. The Bill provides for the establishment by the Charity Commissioners (and by THE MINISTER OF EDUCATION in the case of charities subject to his jurisdiction) of a register in which are to be entered such particulars as the Commissioners may determine of any charity included therein. 'Exempt charities' (as in the Bill defined), any charity excepted by order or regulations, charities not having any permanent endowment, nor any income from property amounting to more than £15 a year, nor the use or occupation of any land, and registered places of worship (as defined), are not required to be registered but may obtain registration. So long as an institution remains on the register – and the Commissioners may remove an institution which no longer appears to them to be a charity –

¹ 'Government Policy on Charitable Trusts in England and Wales'. 1955. Cmd. 9538.

it is conclusively presumed to be a charity. Objection may be taken to registration by any person affected thereby, and appeal lies to the High Court against a decision of the Commissioners to enter or not to enter an institution on the register. The intention that inclusion on the register should be conclusive evidence of the charitable nature of the institution in question is of the utmost importance from the point of view both of relief from income tax and stamp duty and of liability to estate duty when a gift is made *inter vivos* and the donor dies more than one year but less than five years afterwards. At present the view of the Charity Commissioners that a particular institution is charitable does not bind the Commissioners of Inland Revenue – albeit their general practice seems to be to abide by the Charity Commissioners' view – and in the event of doubt the question of liability to income tax, stamp duty or estate duty can only be resolved by judicial process.

Central records, open to public inspection, should help in the co-ordination of charitable activities. It is proposed that local authorities should be able to maintain indices of local charities and to that end to obtain copies of relevant entries in the central records.

In the past the law and practice relating to the accounts of charitable trustees have not been altogether satisfactory. The report of the Nathan Committee advocated a professional audit in the case of charity accounts. This recommendation called forth considerable criticism when the report was debated in the House of Lords¹ and was not accepted by the Government. It was recognized that to require a professional audit in all cases would be to impose an unwarrantable expense on the smaller charities and to achieve little of value in the process, while the accounts of larger trusts are usually audited in any case. Furthermore, the production of sufficient accounts has not as a rule presented any difficulty in the past. The provisions in the Bill in regard to accounts appear to be wholly reasonable.

The Charity Commissioners (or THE MINISTER OF EDUCATION, as the case may be) may call for statements of account, with information about the charity's affairs, and a charity with a permanent endowment must transmit such a statement yearly without any request unless the charity is

excepted by order or regulations from compliance with this requirement. A charity which is an exempt charity has not, of course, any obligation to render accounts. The Commissioners are to have power to require by order that the condition and accounts of a charity for such period as they think fit shall be investigated and audited by an auditor appointed by them, being a member of one of the professional bodies recognized for the purposes of Section 161 (1) (a) of the Companies Act, 1948, by the Board of Trade. An auditor so appointed is to have a right of access to all books, accounts and documents relating to the charity which the trustees have in their control or to which they have access, and to be entitled to require from the trustees, officers and servants (past and present) of the charity, such information and explanation as he thinks necessary for the performance of his duties. Failure by any person to transmit accounts or to afford an auditor any facility to which he is entitled may entail an order by the Commissioners giving such directions to that person or to the charity trustees as the Commissioners think appropriate for securing that the default is made good.

A general obligation is placed upon the trustees to keep accounts, including income and expenditure accounts and balance sheets, and to retain books and statements of account for seven years at least, unless the charity ceases to exist and the Commissioners permit the books and statements to be destroyed or otherwise disposed of. Statements of account relating to parochial charities (other than ecclesiastical charities) in a rural parish (or a borough in a rural district) are required to be sent to the parish council or to the chairman of the parish meeting, for presentation at the next parish meeting.

A clause in the Bill which introduces an important innovation is that which would give power to the Charity Commissioners and THE MINISTER OF EDUCATION to establish common investment funds, into which charities which wished to have unified management and spread of investment could put their funds. The scheme establishing such a fund would appoint suitable trustees to manage it, and could vest it in an 'Official Custodian for Charities' who, it is proposed, should combine the duties of The Official Trustee of Charity Lands and The Official Trustee of Charitable Funds.

¹ See *The Accountant*, August 11, 1953, at page 121.

The Use of Ratios in Financial and Cost Accounting

by R. G. H. NELSON, F.C.A., A.C.W.A.

The Master Budget

SUCCESS in business is seldom fortuitous: it is achieved by good management, by planning and control. As the holiday motorist sets out for a particular destination by a chosen route so the sound business enterprise commences each new financial period with a defined objective and a plan for achieving it.

The objective (or series of objectives) and the plan are embodied in a master budget. This comprises the projected profit and loss account for the period ahead and the projected balance sheet as at the end of that period.

The master budget must be built up from a series of mutually dependent, inter-linked and inter-acting departmental budgets, such as the budgets of sales, production volume, stock-holding, machine capacity and utilization, labour force, material procurement, overhead cost, capital expenditure and cash resources. The connections between these various parts of the master budget were illustrated diagrammatically in a previous article.¹

The aspect from which the objectives of the business are to be regarded will depend upon the nature of the limiting factor in operation during the particular period. If this governing or key factor is the amount of capital available, then one may expect to find the objective expressed in terms of the remuneration of that capital, i.e. the return on capital employed. If, temporarily, some other factor of production (plant capacity, labour force or material supply) prevents the full utilization of the capital invested, then one can aim only to achieve a satisfactory profit margin on the output achievable.

If market demand is below productive capacity then there will be two related objectives:

- (a) a satisfactory profit margin on sales achieved;
- (b) a stock pile limited in accordance with anticipated future demand.

Primary and Secondary Accounting Ratios

It is obvious that a condition of over-capitalization is wasteful and cannot be allowed to continue

indefinitely, so that normally the governing factor in any business will be the amount of capital employed.

For this reason the ratio of operating profit to capital employed is referred to in this article as the primary accounting ratio, and the ratio of operating profit to net sales value (or cost of sales) as the secondary accounting ratio.

The ratio of stock value to anticipated future demand, whilst of vital importance, demands statistical rather than accounting techniques.² The accountant must take responsibility for having this information progressed, but the problems involved will not be considered in detail here.

Comparison of Ratios

In establishing the budgeted ratios, regard will have been paid to such factors as:

- (a) ratios achieved by the business in previous periods;
- (b) ratios being achieved by competitors in the same line of business;
- (c) the return on capital available through other channels of investment.

During the budget period, frequent comparison will be made between ratios currently revealed and the budgeted ratios. The validity of all these comparisons depends obviously on the use of correct and consistent methods of stating the elements on which the ratios are based.

Measurement of Capital Employed and Profit

The measurement of profit and of capital employed was dealt with very fully in a recent paper by Dr J. M. S. Risk³, so that it is necessary here only to recapitulate a few main points:

- (i) capital employed will comprise fixed assets (excluding intangible assets), stocks, stores and work in progress, and other net current assets;
- (ii) investments and the income from those investments should be excluded from the calculation of return on 'capital employed in

¹ 'How to control costs: I - Collecting Budget information', *The Accountant*, October 3rd, 1959.

² See article, 'Exponential smoothing', *The Accountant*, November 14th, 1959.

³ 'The measurement and utilization of capital employed', issues dated October 24th and October 31st, 1959.

operations', which is the ratio normally required for comparative purposes;

- (iii) because the reported amounts of depreciation depend largely on company policy, many accountants decide, for inter-firm comparisons, to use the gross value of fixed assets and to quote profits after adding back the depreciation charge;
- (iv) in comparison with other forms of investment, and also in inter-firm comparisons, there is a case for attempting to revalue fixed assets at current replacement cost, thus giving a figure of capital employed at current values to set against net return at current values;
- (v) some accountants eliminate from the statement of capital employed, cash in excess of normal requirements¹ and do not deduct from net current assets, long-term creditors and items of the nature of reserves (such as amounts set aside for future income tax). Similarly, unless a long historical series of ratios is available, non-recurring items may be eliminated from the statement of net profit. It is a matter for personal choice whether such items are excluded from the calculation of the return on capital employed or whether they are adduced in explanation of a ratio emerging from the unadjusted records.

The Use of Secondary Ratios

In establishing the budget on which the target primary ratio was based, a whole series of inter-relationships were in fact assumed, giving in effect a series of secondary ratios. If, therefore, the primary ratio for any period differs from the forecast amount, the reasons for that variation may be localized by examination of the current value of the secondary ratios. Similarly, if at any instant one of the secondary ratios differs from the budgeted value, it may provide a warning that in the absence of compensating variations in other ratios, the primary ratio is not being achieved.

In practice, some of the secondary ratios may be available more readily or more frequently than the primary ratio, which can only be established at the end of an accounting period, so that these secondary ratios should be in constant use as a working tool of management.

In some large businesses it may be desirable to check the activities of individual departments, divisions or profit centres, for which no general statement of assets employed is readily available. In such cases the secondary ratios linking various

aspects of cost, sales value and current assets may be employed.

Classification of Secondary Ratios

The master budget postulated:

- (i) a value of capital employed;
- (ii) a value of sales turnover;
- (iii) a cost of production, part of which was to be converted into
- (iv) stock holdings, leaving a balance, being
- (v) cost of sales, thus resulting in
- (vi) a planned profit.

The primary ratio links the first and last items in this sequence. If the value of capital employed varies, it is assumed that the net profit will also vary, since each increment of capital is assumed to be used with comparable profitability. This ratio, therefore, should be constant.

If the ratio fluctuates, the fault may be either:

- (a) that the sales turnover is not varying in relation to the capital employed (diagnosed by establishing operating ratios); or
- (b) that costs are out of line with the trend of sales (diagnosed by the secondary accounting ratio and by detailed expense ratios); or
- (c) that the capital is not being applied correctly, i.e. the financial structure of the business is at fault (diagnosed by establishing financial ratios).

The terminology used in this classification is adapted from the report of a study group set up by the British Institute of Management and published in 1956.

The three classes of secondary ratio will be considered in turn. As a general comment, no general rule can be laid down defining ideal values for each ratio. The normal value within an industry will depend on the peculiar circumstances of that industry, and departures from the norm in particular firms may be justified by the financial policy of each firm. Each ratio will be mainly significant, therefore, as part of a comparable series or trend.

Some Operating Ratios

(i) *Net sales income : Operating capital employed*, i.e. the rate of turnover of the capital employed. Deterioration of this ratio may indicate among other things:

- (a) inefficient production, i.e. production effort and cost is not yielding an adequate volume of saleable goods (this will be investigated by the use of expense ratios);
- (b) inefficient use of capital (investigated by the use of financial ratios);
- (c) lack of sales outlets, i.e. under-utilization of

¹ For a calculation of this see 'How to control costs: II - Cash forecasting and working capital position', *The Accountant*, October 17th, 1959

- plant capacity (see paragraphs (ii)–(iv) below);
(d) excessive creation of stocks (see paragraphs (v)–(vii) below).

(ii) *Net sales income : Orders accepted*

Lack of sales outlets will be indicated by examination of the order book or forward load, but the interpretation of these figures will depend on the method of ordering peculiar to each industry. For example, orders may be received for immediate delivery in some cases, and in other cases for delivery some years ahead. In some industries orders may be received at short intervals for constant amounts; in others bulk orders may be received at wide intervals; in others there will be seasonal fluctuations.

All that can be said generally is that provided profit margins remain unchanged, the value of orders received over a suitable period should at least equal the value of orders executed in that period.

The ratio thus established indicates, of course, a future trend and this does not necessarily indicate whether there is a limitation of sales outlets now or in the immediate future.

(iii) *Actual hours worked : Actual hours budgeted*

The hours referred to may be man-hours or machine-hours, and this ratio indicates 'standard capacity employed' or 'machine utilization'; in other words, the extent of the under-utilization of facilities.

This under-utilization may be due, however, not only to lack of sales outlets, but to running down of stocks or to inefficient operation. If the efficiency factor can be eliminated, the ratio is reduced to:

(iv) *Standard hours (or units) produced : Standard hours (units) budgeted*

This is known as the 'activity ratio'.

(v) *Net sales income : Stocks (including stores and work in progress)*

Build-up of stock values may result from management policy (in which case some target level may be set); from production hold-ups during manufacture (for example, by material or tool shortages at the assembly stage), or from failure to dispatch or to invoice finished goods.

(vi) *Finished goods (at cost) : Production costs for period*

(showing rate of turnover of stocks).

Raw materials stock : Forecast average material usage for forward period

These are two examples of ratios which might be used under suitable circumstances to assess the

adequacy of stockholdings. If material cost is in reasonably constant proportion to total cost of production or to total sales value, then the second ratio could be modified accordingly.

(vii) *Sales arrears : Average sales for period*

One measure of the significance of production delays.

(viii) *Net sales income : Trade debtors*

Akin to the excessive creation of stocks is the excessive accumulation of unpaid debts.

Similarly, one might be able to compare material usage with trade creditors.

Some Expense Ratios

Expense ratios indicate whether the expenditure of effort and money is reasonable in relation to the output achieved, and give starting-points for more detailed investigation.

(i) *Net sales income : Individual components of cost of sales*

This is a long-established method of scrutinizing a profit and loss account and making comparisons from year to year. It is the basis of the pie-charts which sometimes illustrate company reports. It is not completely satisfactory if there have been changes in the structure of selling prices, and may sometimes be replaced with advantage by:

(ii) *Production volume (in standard units) : Individual components of cost of production*

The concept underlying these ratios may be used in establishing overhead allowances under a system of flexible budgeting. It is debatable how far it provides a proper basis for the control of the wide field of fixed and semi-variable costs.

(iii) *Overtime pay : Basic wages*

Similarly, the pay for waiting time, absence time and various allowances can be compared with the pay for productive hours.

(iv) *Cost variances : Appropriate standard cost basis*

This measures the significance of variances under a system of standard costing.

(v) *Output in terms of standard hours : Clock hours*

This is a direct measure of productive labour efficiency, where suitable standards are available.

Some Financial Ratios

By the use of selected operating ratios, one is able to judge whether the levels of stocks, trade

debtors and trade creditors are reasonable in relation to the current volume of productive work. The ratio of machine utilization or standard capacity employed also gives some indication of the adequacy of plant and machinery. A further rough guide to this could be obtained from the ratios:

(i) *Fixed assets : Stocks*

Though obviously a low ratio here could indicate excessive stocks rather than inadequate fixed capital.

(ii) *Fixed assets at cost : Total provision for depreciation*

The object of this ratio is to indicate the average age of the fixed assets, and by implication the potential requirement of cash resources for replacing them. Different classes of fixed asset are of course depreciated at different rates, and it may be necessary to calculate a separate ratio for each class.

(iii) *Current assets (other than stocks) : Current liabilities*

This ratio provides a quick guide to the adequacy of cash resources, but is no substitute for a detailed cash forecast. It may be desirable to eliminate long-term debtors and creditors from the calculations.

(iv) *Total capital employed : Liquid assets*

A high ratio here could indicate under-employed resources.

Summary

Ratios are a means of measuring the significance of deviations from a norm, however defined or indefinite. Like systems of budgetary control or standard costing, they can do no more than highlight areas for further investigation.

The examples quoted make use of information from the financial accounts and from the cost accounts, and in some cases information which does not enter directly into the book-keeping system at all. Many other ratios could be developed in accordance with the information requirements of particular businesses. The examples quoted are believed to be those having the most general application.

Weekly Notes

Resignation from the Council of the Institute

THE resignation of Mr Edward Duncan Taylor, F.C.A., from the Council of The Institute of Chartered Accountants in England and Wales is announced in the report of the proceedings of the Council which appears elsewhere in this issue.

Mr Duncan Taylor, who is senior partner in the firm of John Gordon, Harrison, Taylor & Co, Chartered Accountants, of Leeds, and chairman of North Central Wagon & Finance Co Ltd, was admitted an Associate of the Institute in 1914 and was elected to Fellowship in 1924.

He was elected to the Council of the Institute in 1942 and served as Chairman of the Finance Committee from 1953-56 and of the District Societies' Committee during the same period. He was a member of the District Societies, Finance, General Purposes and Investigation Committees at the time of his resignation.

New Institute Recommendation

A NEW Recommendation dealing with retirement benefits has been approved by the Council of the Institute (as reported on page 199 of this issue). No. 21 in the series of Recommendations on Accounting Principles, the Recommendation has been settled by the Council on the report of the Parliamentary and Law Committee following consideration of a memorandum submitted by the Taxation and the Research Committee.

The new Recommendation will be distributed to members on February 29th in a form suitable for insertion in the *Members' Handbook*. It will be reproduced, and will be the subject of a leading article, in *The Accountant* of March 5th.

Summer Course at Oxford

THE Institute's Fourteenth Summer Course is to be held from September 15th to 20th at Christ Church and Pembroke College, Oxford.

As in previous years, the objects of the course will be to afford members from all parts of the country (and from overseas) an opportunity to meet together informally, and to promote serious thought and discussion on important professional matters.

The subjects of the papers and the speakers will be: 'Auditing: the purpose and its attainment', by Mr D. D. Rae Smith, M.C., B.A., A.C.A.; 'The organization of a practising accountant's office', by Mr J.

Perfect, F.C.A.; and 'Retirement benefit schemes', by Mr J. H. H. Nuttall, F.C.A.

Further details of the course are to be announced shortly.

Cost Accountants' Examinations

IN the December 1959 examinations of The Institute of Cost and Works Accountants, a total of 1,746 candidates sat for the whole or part of the Final examinations. Of these, 248 successfully completed the examination, 91 passed Part A only and 312 passed Part B only.

Mr Satinder Kumar Aggarwal, of Calcutta, gained First Place and was awarded the S. Laurence Gill Prize. The Donald L. Moran Prize for Management (Factory and Distribution) was awarded to Mr Edward Victor Thompson, of Bedford, and the Leverhulme Prize for Cost Accountancy was won by Mr Peter John Stilling, of Petts Wood, Kent.

In the Intermediate examination there were 3,087 candidates, of whom 105 passed Parts I and II; 392 completed their Intermediate by passing Part II, and 538 passed Part I only. The First Place and George Russell Memorial Prize were won by Mr John Holroyd, of Maryport, Cumberland.

The names of the successful candidates who completed the Final examination, together with a full summary of results, appear elsewhere in this issue.

The Engineering Industry and the Budget

THE representations of the Engineering Industries Association to the Chancellor of the Exchequer on the coming Budget are contained in a letter from the Association's President, Lord Davidson. The letter sets out the general objects to be sought as being the encouragement of efficiency and the expansion of industrial production, the advancement of the standard of living, the avoidance of inflation, and incentives to save. The Association considers that all these objects call for a reduction in taxation which will allow industry to retain funds for development, and the individual taxpayer to save more.

The specific suggestions on taxation include a reduction in the standard rate of income tax, the raising of the minimum income for surtax, and the granting of a specific surtax earned income relief of one-tenth. The Association considers that controlling directors and self-employed persons should be in as privileged a position, in relation to benefits, as senior executives. In the profits tax field, it is suggested that the rate be cut, the limits for exemption and abatement extended, and that larger maximum allowances for remuneration of controlling directors should be granted.

Estate duty on the assets of businesses is again under attack, and the suggestion is repeated that there should be a slab system of rates, as in surtax, with a higher exemption limit. Among stamp duties the Association picks out the twopenny receipt duty as the one to abolish.

Revised Rating of Plant and Machinery

AN Order has been placed before Parliament to come into force on April 1st, 1960, containing a revised list of plant and machinery liable for local rates. It applies to England and Wales and consists, with certain modifications, of the list recommended by the committee under the chairmanship of Sir Edward Ritson which was appointed at the end of 1957. The principles of rating plant and machinery were established in the Rating and Valuation Act in 1925. This Act set out four classes of plant and machinery liable for rates. An Order issued in 1927 is still in force and it was this Order which the Ritson Committee was asked to review so far as the list is concerned.

In Class 1, the Minister has accepted the recommendation that less electrical apparatus should be rated. A formula has been clarified according to which the exemption of ancillary apparatus in Class 4 is clearly understood to mean that part of an item of rateable plant is not rateable unless it forms an integral part of the structure of the plant.

Much of the work of the committee has been in drawing up a new list under Class 4, to take into account the rapid rate of technical change in the last thirty years or so. Two recommendations of the Ritson Committee were not unanimous. The first of these was that all plant and machinery which moves or rotates should be exempted from Class 4. The Minister is satisfied, however, that the law envisages the rating of such items and as the purpose of the Order is to clarify the law and not to amend it the suggested exemption has not been granted. The second recommendation was that plant of less than a certain dimension which in ordinary practice is moved about should not be rateable in Class 4. The Minister has accepted the proposal in principle but since he is advised that there is no way of putting this recommendation into effect under the existing law he has announced a willingness to consider a suitable amendment of the law when the opportunity occurs.

The Chancellor on Inflation

THE latest meeting of the National Production Advisory Council on Industry last week was notable for the return of the Chancellor of the Exchequer to the theme of prices and inflation. He pointed out that at the end of last year output was 8 to 9 per cent higher than at the end of 1958. He noted this advance with approval. He went on to point out that a big increase in investment in the current year now seems certain. This could lead to a strain on our resources if the situation was not kept under constant review. He went on to say that the benefits of higher productivity should not be absorbed entirely by increases in either profits or wages but should be shared with the consumer. He thought that a continuation of the policy of reducing prices wherever possible was the sort of action which would

do far more to consolidate present prosperity than higher profit margins and dividends. He also thought that the pressure towards a reduction in working hours with the same pay was in danger of hiding the fact that such a demand, if granted, was equivalent to an increase in wage rates so far as the cost of structure of industry was concerned. For example, a fall in the working week from 44 to 42 hours without loss of pay is equivalent to an increase in the hourly wage rate of nearly 5 per cent.

The subsequent discussion by the committee dealt mainly with exports and local unemployment. Here, indeed, is the paradox of our present prosperity. If exports can be kept up and inflation controlled, prosperity can be maintained for a very large proportion of the working population. The black spots remain, however, notably in the scheduled areas where unemployment continues to be high. Controlling the economy over the next six to twelve months will certainly involve preventing inflation from developing while bringing a greater measure of prosperity to these areas. It may well be that general instruments of control such as Bank rate are necessary to protect the economy as a whole from a runaway inflation, but such economic tools stimulate depression where depression already exists as well as keeping in hand the more prosperous localities. The more, therefore, that general instruments of economic control are used for influencing the rate of expansion of the economy as a whole, the more will special weapons be required in certain areas to offset the effects of those general instruments of economic policy. The steps which are being taken at the present time to persuade the motor-car industry to build its new factories in the 'black' areas show that a certain amount of progress is being achieved in bringing assistance to localities of high unemployment. It remains to be seen if the encouraging rate of progress so far can be maintained in the months to come.

Technical Teachers' Staff College

An appeal was launched last week by Sir Alexander Fleck, chairman of Imperial Chemical Industries Ltd, with the support of Sir David Eccles, Minister of Education, for the establishment of a staff college for senior teachers in colleges of technology and commerce and for senior industrial staff. He asked industrial and commercial organizations to contribute £100,000 as a single, once-and-for-all, contribution, and of this sum £60,000 has already been promised after private approaches to thirty firms. The running costs, amounting to about £30,000 a year, will be paid mainly from public funds.

The college is to provide a centre for senior staff from all kinds of colleges offering technical and commercial education to meet senior representatives of industrial organizations and to be able to exchange ideas and experience with those who have similar interests. The college expects to benefit industry and commerce directly by giving their staffs a closer link

with the technical colleges and indirectly by improving the quality of the young men whom they will recruit in the future.

As the letter sent out to some 250 firms points out, the proposal to establish such a staff college was among the recommendations of the report of the Willis Jackson Committee on the Supply and Training of Teachers for Technical Colleges. This idea has won support from people in industry and education, including the F.B.I. Education Committee, the associations of local authorities and teachers, the National Association for Education for Commerce and the National Advisory Council on the Training and Supply of Teachers.

The Willis Jackson Committee thought that men of broader outlook are necessary at the top level of technical teaching so that they can have a useful influence not only on their own colleges but upon the industrial and commercial firms which they serve. The college is intended to be small, offering a series of short courses of two to four weeks beginning at the end of 1961. Numbers attending will be kept low, to about thirty. Two-thirds of these should be experienced teachers, the rest being a variety of people from associated fields. The method of instruction will be by seminar. Participants will be expected to pool their own ideas and experience to learn from one another. The course will be supervised by a small permanent staff.

European Institutions in Ferment

ASERIES of publications has been started by Europe House based on talks given in London towards the end of last year. The first of these was *The Future of the Organization for European Economic Co-operation*, by M Rene Sergent, Secretary-General of O.E.E.C. The second is called *The Future of the Council of Europe*, by Mr Dunstan Curtis. Both pamphlets are much concerned with the impact of the Treaty of Rome on European economic and political integration.

It will be recalled that the two organizations are quite distinct. The O.E.E.C. is an inter-government organization which meets in Paris and which has a secretariat. As a device for getting co-operation among the countries of Western Europe, O.E.E.C. has been outstandingly successful. Its big achievements have been the European Payments Union (now defunct), the organization of the interchange of economic and technical information between member countries and the co-operation which has been developed over the years since the war in getting member countries to discuss in Paris the integration of their economic policies. The Council of Europe has been quite a different organization. It is political and has both a council and an assembly. It has operated as an extra-government parliament at Strasbourg and has worked over the years for the complete political integration of Western Europe, indeed of Europe as a whole. Having a high ideal and

no political power it has had a difficult furrow to plough since it was established.

It is easy to see how the future of both these organizations has been imperilled by the creation of the European Economic Community and the European Free Trade Association. The Community is political in intent, having as its goal the political integration of the countries in the Community. It is to that extent exclusive so far as the other countries in Western Europe are concerned. The Free Trade Area Association has come into existence largely as the economic counterblast to the economic organization of the six member countries of the European Common Market.

Both pamphlets try to make a case for the survival,

indeed the expansion, of their particular European organization. Since O.E.E.C. has accomplished more than the Council of Europe, it has a better case to argue for it can certainly say that it has provided a unique clearing house for policy and information among Western European countries since it was established. It can reasonably say that there is a good case, at a time when Western Europe is in danger of splitting into two distinct and competitive economic groups, for O.E.E.C. to act as a vital bridge. Mr Curtis is in favour of the continuation of the work of the Council of Europe and indeed of its having drafted on to it the O.E.E.C. organization. Whether O.E.E.C. is interested in such a marriage of convenience is a very open question.

This is My Life . . .

by An Industrious Accountant

CHAPTER II

OUR personnel director, known as Prinny, regards his job of staff selection as being above the abilities of ordinary or lesser mortals. To him, interviewing a prospective employee is like a surgeon conducting a vital operation, at once arduous and delicate. He often tells us how he stands up from an important interview, physically and mentally exhausted, conscious that our firm's future prosperity has hinged on his own unaided intuitive judgement of character and morale potential. Our junior staff accept his psychological lectures with genuine awe.

So when he had to select a senior factory electrician on Tuesday last, the programme was carefully planned. A car to London the evening before as the train was too tiring, a room at his club, seats for *My Fair Lady*, and an interview room at the hotel. And of course, his assistant to receive the five interviewees in turn and usher them into the presence.

Five, because an hour was necessary for adequate assessment in each case, giving Prinny time to digest his impressions properly. Appointments were accordingly advised for 10.30 a.m. and 11.30 a.m., and 2.30, 3.30 and 4.30 p.m. Prinny, with his assistant, rolled up at 10.20 a.m. precisely.

They found chaos awaiting them. Five furious and voluble electricians were seething in the sitting-room. Five letters of appointment were thrust forcibly under his nose when he remonstrated. They read 8.30, 9, 9.30, 10 and 10.30 a.m., respectively.

Some unknown humorist had altered the times; and he was a master tactician, obviously, for he had

initialed the changes with an illegible but authoritative squiggle.

Prinny, already labouring under a slight hangover, took it badly. A smarter man would have turned the trick to advantage with a humorous reaction, and got to know his men over coffee and refreshments there and then. Not our Prinny. He abused them back, and in the upshot, three of them walked out and the other two were too rattled for successful interview.

So he returned to thrust the forgeries on my desk and call for immediate identification. A tough assignment. The altered figures were impossible to identify, but I soon narrowed the field down to a ten-minute stretch when the outgoing letters lay unattended on the post-room counter. Here the search stalled. The post-room girls, in wide-eyed innocence, contributed nothing. 'It's over a week ago now, Sir. . . . There were so many coming and going. . . . Didn't you come in yourself that evening, Sir?' Awkward, that last one, and by afternoon Prinny was looking oddly at me.

The story went round like wild-fire. Half the staff came in smirking, to see the letters and ask had I traced the miscreant yet? The managing director scrutinized the letters and inquired, poker-faced, about finger-prints and Scotland Yard.

Prinny had arranged some nonsense with a hidden camera, a trip-wire and a clocking time register in order to trap the joker with a prearranged bait; but the managing director reminded him gently of the more pressing need to deal with the post. So he turned to me again.

I solved my immediate problem by delegating the case to the office manager, who now goes round with a conspiratorial air. He has listed six possible suspects, but as far as can be judged, his only justification is that he doesn't like them. Uppity types, he considers them.

In view of Prinny's mounting anger I can only think of suggesting, if all else fails, a poltergeist.

Finance and Commerce

Banks in Hire-purchase

LLOYDS AND SCOTTISH FINANCE LTD whose first published accounts are the subject of this week's reprint, forms the biggest single banking stake in the hire-purchase finance industry. The company is, in fact, second only to United Dominions Trust in size. The issued capital, which is held equally by Lloyds Bank and the National Commercial Bank of Scotland, has been increased to £15 million since the accounting date.

Mr Ian Wilson Macdonald, M.A., C.A., chairman of the company, took the Commercial Bank of Scotland into hire-purchase finance through Scottish

Midland Guarantee Trust Ltd four years before the English banks made the step. Scottish Midland Guarantee is now a subsidiary of Lloyds and Scottish Finance, the other principal subsidiary being Olds Discount Co Ltd. In all there are now twelve subsidiary and sub-subsidiary companies and an associated company - Credit Corporation of South Africa Ltd.

The hire-purchase debtors item of £69,956,150, Mr Macdonald explains, is some 53 per cent higher than the figure at January 1st, 1959. Profits have moved similarly and the relatively heavy tax figure of £1,253,354 covers tax liabilities up to April 5th, 1961.

LLOYDS AND SCOTTISH FINANCE LIMITED

Balance Sheet, 30th September 1959

	Authorised £	Issued £		£	£
CAPITAL:			CURRENT ASSETS:		
Ordinary Shares of £1 each	11,150,000	11,150,000	Bank Balances	366,927	
			Due by Subsidiary Companies	7,524,970	
			Taxation Recoverable	2,387	7,894,284
REVENUE RESERVES:			INTERESTS IN SUBSIDIARY COMPANIES:		
Unappropriated Profit		6,959	Shares at cost		11,185,671
		11,156,959	TRADE INVESTMENTS:		
CURRENT LIABILITIES:			At cost		481,250
Deposits	7,350,000				
Due to Subsidiary Companies	859,421				
Creditors and Accrued Expenses	194,825				
		8,404,246			
		£19,561,205			

IAN W. MACDONALD } Directors

JEREMY RAISMAN }

The "Notes on the Accounts" annexed hereto form part of the Company's Accounts.

	£19,561,205
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LLOYDS AND SCOTTISH FINANCE LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet, 30th September 1959

	£	Authorised £	Issued £		£	£	£
CAPITAL:				CURRENT ASSETS:			
Ordinary Shares of £1 each		11,150,000	11,150,000	Hire Purchase and other Debtors, and Payments in Advance, less Provision for Doubtful Debts			69,056,150
CAPITAL RESERVES			830,615	Cash, Bank Balances and Money at Call ..			669,391
REVENUE RESERVES:							<u>69,725,541</u>
Contingency Reserves		160,000		TRADE INVESTMENTS:			
Unappropriated Profits:				Shares at cost			531,250
Parent Company		6,959					
Subsidiary Companies		<u>71,267</u>		FIXED ASSETS:			
			<u>78,226</u>	Freehold and Leasehold Properties, at Cost	265,017		
				Less: Accumulated Depreciation	<u>15,692</u>		
			<u>238,226</u>			249,325	
			12,218,841	Office Furniture, Equipment and Motor Cars, at Cost	<u>416,407</u>		
FUTURE TAXATION:				Less: Accumulated Depreciation	<u>176,723</u>		
Income Tax 1960/61			1,132,613			<u>239,684</u>	
OUTSIDE SHAREHOLDERS' INTERESTS:							489,009
In the Capital and Reserves of Subsidiary Companies			549,051				
CURRENT LIABILITIES:							
Bankers and Acceptance Credits		13,220,614		IAN W. MACDONALD } Directors			
Deposits		34,556,147		JEREMY RAISMAN }			
Creditors and Accrued Expenses		980,351					
Taxation		<u>1,198,309</u>					
			49,955,421	The "Notes on the Accounts" annexed hereto form part of the Company's Accounts.			
UNEARNED FINANCE CHARGES			<u>6,889,874</u>				
			<u>£70,745,800</u>				<u>£70,745,800</u>

About 60 per cent of the company's financing is for motor vehicles - largely through the Scottish Midland group - about 30 per cent for household consumer goods, representing the Olds Discount Company's operations, and the balance is in industrial plant financing.

Deposited Funds

The deposits item of £34,556,147, Mr Macdonald states, represents to a major degree funds placed with the concern by the customers of Lloyds and National Commercial. In this, of course, there is a clear indication of the direct influence of banking connections on hire-purchase finance company financing. Surplus company funds can be safely channelled into the hire-purchase finance company's deposits, which are usually on a three months' or six months' withdrawal basis. Bank backing is obviously a safeguard to the depositor, the company and, in fact, the borrower.

The movement of company funds into hire-purchase deposits and also into local authority loans is undoubtedly one of the reasons for the present state of the gilt-edged market. The days are now past when the market was the automatic repository for temporarily surplus company funds. Higher interest rates and capital security in deposits as well as heavier company short-term investment in Treasury bills, indicate not only a change in short-term investment policy, but also an awareness by management of the benefits of the more lucrative use of surplus cash.

Opinion Poll

TIME and again one sees resolutions thrown out at company meetings because they are not in proper form. There was a recent instance at an extraordinary general meeting of E.V. Industrials Ltd, called to consider the resolution:

'That Messrs S. H. Newman and B. H. Woodall be removed from the board of directors of the company and two new directors be appointed in their place.'

Mr Newman, the company's chairman, called upon the company's solicitor to state the position. The solicitor ruled that the resolution could not be voted upon. The meeting, he said, could not deal with the removal of two directors simultaneously and the consents of those proposed as substitutes had not been lodged. In this ruling, the solicitor said, he was supported by the opinion of counsel.

Despite the fact that the meeting, therefore, had proved abortive, Messrs Newman and Woodall nevertheless decided that shareholders' views should be obtained by vote and that if the vote was in favour of the sense of the resolution they would offer their resignations. Voting on a show of hands was 111 against 'removal' and 41 for it. (A poll produced 626,233 votes 'against' and 253,701 'for'.) Although a shareholder suggested that a poll could not legally be taken on an inadmissible resolution, it was pointed out that the object was merely to obtain the opinion of shareholders.

LLOYDS AND SCOTTISH FINANCE LIMITED AND ITS SUBSIDIARIES

Consolidated Profit and Loss Account for the period ended 30th September 1959

	£	£
TRADING PROFIT of the Group for the nine months ended 30th September 1959. (See Note 1)		2,275,836
TAXATION on this profit:		
Profits Tax	221,834	
Income Tax	971,057	
Overseas Tax	60,463	
		<u>1,253,354</u>
NET PROFIT AFTER TAXATION		1,022,482
Less: Proportion of net profit attributable to shares held outside the Group		20,201
		<u>1,002,281</u>
Less: Retained by Subsidiary Companies by way of:		
Goodwill and Preliminary Expenses written off	39,730	
Transfers to Capital Reserves	10,136	
Transfers to Revenue Reserves	160,000	
Increase in Unappropriated Profits	71,267	
		<u>281,133</u>
BALANCE AVAILABLE for appropriation by Lloyds and Scottish Finance Limited		721,148
PRELIMINARY EXPENSES written off		26,352
		<u>694,796</u>
DIVIDENDS, less Income Tax		687,837
UNAPPROPRIATED PROFITS, carried forward		<u>£6,959</u>

LLOYDS AND SCOTTISH FINANCE LIMITED

Notes on the Accounts

1. PROFIT AND LOSS ACCOUNT

Trading Profit of the Group has been arrived at after charging:

Emoluments of Directors:	£
Fees	7,148
Other Emoluments	23,304
Pension Contributions	2,856
	<u>£33,308</u>
Depreciation of Fixed Assets	£74,985
Loss on sale of Shares in Associated Company	£29,444
and after crediting	
Dividend from Associated Company	<u>£13,500</u>

2. SUBSIDIARY COMPANIES

The financial year of certain Overseas Subsidiaries ended on 31st July 1959. For the financial year to have coincided with that of the Company would, in the opinion of the Directors, have caused undue delay in the submission of Group Accounts. The Issued Capital of one Overseas Subsidiary Company includes 17,733 6½% Redeemable Cumulative Preference Shares of B. W. I. \$10.00 each; (total sterling equivalent £36,944), which may be redeemed on or after the 31st March, 1963. The appropriations to Capital Reserves by the Subsidiary Companies include £4,789 provided for the redemption of these shares. For the purposes of Group Accounts Trinidad, (B.W.I.) dollars have been converted into sterling at the official rate of 4.80 dollars to the £1 sterling. South African and Rhodesian currencies have been converted at par with sterling.

3. TAXATION

Due to a change in the accounting date of one subsidiary, a full year's Income Tax liability has been provided in the accounts of that Company out of a nine months' trading profit.

Non-voting Shares

THERE is an item in the balance sheet of E. Upton & Sons Ltd, retailers of furniture, television and radio, etc., which is ripe for comment. It concerns the statement of the share capital, which comprises £100,000 in 6½ per cent redeemable cumulative preference shares of £1 each and £250,000 in 5s ordinary shares; it is the latter which we question.

From the appearance of this item, it would be logical to infer that holders of the one million ordinary shares all stand in the company together, equal in every respect. But the fact is they are not all equal members of the company. Of the ordinary capital £50,000 is in the form of 'A' shares which have no voting rights. These shares were issued just over two years ago by way of a capitalization of £44,366 from profit and loss account and of £5,634 from share premium account.

This subject of non-voting equity shares has recently become a matter of considerable public interest, and there would seem to be a heavy weight of

opinion against them. Here, however, it is not a question of the pros and cons of non-voting shares, but of manner in which such shares are shown in the balance sheet. There is no doubt, in our opinion, that non-voting ordinary shares should be clearly and separately indicated in the share capital item.

Diversification

WITH this increase in the milk business your board have felt some need for "diversification" — a wonderful password which can excuse almost any error of judgement.' So says Mr A. S. Horsley, chairman of Northern Dairies, reporting on a record dairy year and on the board's new expansion moves into hire-purchase finance and agricultural implements. Financing the company's ice-cream and frozen food customers took Northern Dairies initially into hire-purchase finance, and the agricultural implements activities are an extension of dairy engineering interests. In this way industrial groups are built. Mr Horsley says 'we feel that we have not made a mistake'.

CITY NOTES

RAIL strike threats hung over the stock-markets this week. Business was on a comparatively small scale judged by recent experience. Competition from new issues, however, is now becoming a market factor.

This week has seen the issue of a £12 million Australian loan and of £5 million of debentures by Tate & Lyle. The Liebig's Extract of Meat Company has placed £3 million of debentures, and a large number of new industrial and property share issues are in the offing.

Response to the fixed interest offers has underlined the present trend towards yield rather than growth in investment. The growing opinion that the equity markets may, on balance, go lower in the next month or two has tended to bring in demand for fixed interest stocks.

This trend, however, has not had any outstanding effect on the gilt-edged market, although prices are now considerably more than a point above the levels ruling immediately after the Bank rate change.

Industrial company results continue to be encouraging on the whole and there are confident forecasts of current year prospects. It remains to be seen, however, whether these hopes are realized or whether they fall foul of renewed inflationary trends.

Current City thinking seems to be moving along the latter lines and there is now a tendency to see the 5 per cent Bank rate in rather longer terms than originally envisaged. It is accepted that the authorities will not shirk the action necessary to pinch out inflation before it has time to develop to a point where drastic action would be needed to curb it.

RATES AND PRICES

Closing prices, Wednesday, February 10th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate			
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills			
Dec. 4	£3 10s 7.23d%	Jan. 8	£3 14s 11.06d%
Dec. 11	£3 11s 6.91d%	Jan. 15	£3 15s 7.79d%
Dec. 18	£3 12s 10.50d%	Jan. 22	£4 11s 1.19d%
Dec. 24	£3 13s 8.82d%	Jan. 29th	£4 10s 9.18d%
Jan. 1	£3 14s 6.24d%	Feb. 5th	£4 10s 10.88d%

Money Rates			
Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges			
New York	2.80½-½	Frankfurt	11.68½-69½
Montreal	2.66½-67	Milan	1739½-7
Amsterdam	10.57-½	Oslo	20.03½-½
Brussels	139.78½-½	Paris	13.75½-½
Copenhagen	19.35-½	Zürich	12.15½-½

Gilt-edged			
Consols 2½%	49	Funding 4% 60-90	92½
Consols 4%	71 11½	Savings 2½% 64-67	85½
War Loan 3½%	64 11½	Savings 3% 55-65	92 11½xd
Conversion 3½%	64½	Savings 3% 60-70	81½xd
Conversion 3½% 1969	87½	Savings 3% 65-75	75½xd
Exch'quer 5½% 1966	102½xd	Treasury 2½%	47½
Funding 3% 66-68	85 11½	Treasury 3½% 77-80	78½
Funding 3% 59-69	85½	Treasury 3½% 79-81	76½xd
Funding 3½% 99-04	70½	Victory 4%	95½xd

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Pre-acquisition Profits

SIR, - The capitalization by a holding company of purchased pre-acquisition profits is presumably because of the distinction between capital and revenue which, in some circumstances, a purchaser ought to make; and in this respect there is some analogy to the purchase of investments cum div. and the apportionment of the dividends when received.

This, however, does not answer 'Rossencoll's' query in your issue of February 6th on the legal position, neither is it answered by reference to the confused law relating to divisible profits, but perhaps there is some answer in the Eighth Schedule to the Companies Act, 1948.

Paragraph 15 (5) of that schedule, which mainly refers to the statement of profits and losses of subsidiaries whose accounts have been omitted from the group accounts, uses these words: '... and the profits or losses attributable to any shares in a subsidiary for the time being held by the holding company or any other of its subsidiaries shall not (for that or *any other purpose*) be treated as aforesaid ...' (i.e. as revenue profits or losses).

The words italicized (the italics are mine) presumably have some meaning, and as far as I see it, that meaning is that pre-acquisition profits or losses are not to be regarded as revenue profits or losses.

Paragraph 27 of the Eighth Schedule implies that revenue reserves are to consist of those amounts which are regarded as available for distribution through the profit and loss account.

Thus, reading the words of paragraph 15 (5) with those of paragraph 27, it is, perhaps, not stretching things too far to say that the law prohibits the use of pre-acquisition profits as revenue reserves.

On this construction, the treatment by a holding company of pre-acquisition future tax retentions in the accounts of a subsidiary falls to be considered. Pedantically these retentions are reserves and thus form part of the shareholders' funds at balance sheet date. Nevertheless, it is clear from the history of the Institute's recommendations on this matter, that the sole purpose of the future tax retention is to deplete the shareholders' funds by an amount which sooner or later will become a current liability to the Inland Revenue.

In other words, the Institute recommended a provision against a future liability and this is what it still recommends, but without using the words 'provision' or 'liability', both of which had to be abandoned because of the definitions of 'provision'

given in the Eighth Schedule and the nice meaning attributed to 'liability' by the lawyers.

The balance sheet is, or should be, a forward-looking document; if it is not, there is no justification for any retentions for future tax. Thus to treat these retentions as part of the shareholders' funds is to deny the main object of making them.

The treatment in the group accounts of the group's share of pre-acquisition future tax retentions must be settled between accountants as they are the sole originators of these retentions, and it seems to me that the solution should follow the logic underlying their creation.

If this view is correct (and I firmly believe that it is) then I agree with 'Rossencoll' that no capitalization of purchased future tax retention is required. Indeed, I would go further and say that from an accountant's point of view any such capitalization is unreal and illogical.

Yours faithfully,

V. RONALD ANDERSON.

Conway, North Wales.

Salaries (and Fees) in the Profession

SIR, - As an accountant who has been employed in local government for the last twelve years, I was very interested to read the letter from 'F.C.A.' headed 'Salaries (and Fees) in the Profession'.

If, as one outside public practice, I may be allowed to comment, surely it is time that the Institute published, or allowed to be published, at intervals, a list of practising chartered accountants in the area of selected local papers. As I see it, the large majority of new sole trader and partnership business is taken by the unqualified accountant who is allowed to advertise, and who charges lower fees for less satisfactory work; and this will continue to be the case until the 'official' attitude comes up to date. Qualified accountants, at the moment, hide away as if they are ashamed of themselves and their profession.

Yours faithfully,

REX L. LINGWOOD,

F.C.A., A.I.M.T.A.

Tadworth, Surrey.

SIR, - 'F.C.A.', in your issue of January 23rd, draws attention to 'thirty well-established audits' producing gross annual fees of 400 guineas - an average of thirteen guineas each - and wisely suggests a 'get-together' to improve fees of this description.

There is another example of ridiculously low fees - those fixed for approved auditors under the Friendly Societies' Acts and the like. The present scale of fees appears to have been drawn up to take effect from January 1st, 1951, since when professional office salaries and overheads have increased very substantially.

Can the Accountants' Joint Parliamentary Committee now make further representations to the Registrar of Friendly Societies in an attempt to bring the fees more into line with present-day costs?

Yours faithfully,

CONTRA.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, February 3rd, 1960, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs E. Baldry, O.B.E., W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, M.C., Messrs J. Godfrey, G. G. G. Gault, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs G. F. Saunders, K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Resignation from the Council

The Council received with much regret the resignation of Mr E. Duncan Taylor from his membership of the Council. Mr Duncan Taylor had been a member of the Council since 1942 and was Chairman of the Finance Committee from 1953 to 1956, and of the District Societies' Committee from 1953 to 1956.

Recommendations on Accounting Principles No. 21: Retirement Benefits

The Council approved a new Recommendation, No. 21: *Retirement Benefits*, for issue in the series of Recommendations on Accounting Principles. It will be distributed to members on February 29th, 1960, for insertion in the *Members' Handbook*. The Recommendation has been settled by the Council on the report of the Parliamentary and Law Committee following consideration of a memorandum submitted by the Taxation and Research Committee.

Copies of the Recommendation for insertion in the loose-leaf publication *Recommendations on Accounting Principles* will be available for purchase on application to the offices of the Institute after March 1st, 1960, price 1s per copy post free (*remittances must accompany orders*). The price of the complete loose-leaf booklet containing all current Recommendations up to and including No. 21 is 10s.

Summer Course - Christ Church and Pembroke College, Oxford - September 15th to 20th, 1960

The Council authorized the distribution to all members of the Institute of a notice giving preliminary details of the Summer Course to be held at Christ Church and Pembroke College, Oxford, from September 15th-

20th, 1960. The notice will be accompanied by an application form.

The subjects and speakers will be:

- 'Auditing: the purpose and its attainment', by Mr D. D. Rae Smith, M.C., B.A., A.C.A.
- 'The organization of a practising accountant's office', by Mr J. Perfect, F.C.A.
- 'Retirement benefit schemes', by Mr J. H. H. Nuttall, F.C.A.

Examination Results - November 1959

The Examination Committee reported the results of the examinations held in November 1959 as follows:

		Passed	Failed	Total
Preliminary	..	76	124	200
Intermediate	..	826	960	1,786
Final	..	673	723	1,396
		<u>1,575</u>	<u>1,807</u>	<u>3,382</u>

The following prizes and certificates of merit were awarded:

PRELIMINARY

Deloitte Prize for the year 1959
A. K. Chippington, London.

INTERMEDIATE

First Certificate of Merit, the Institute Prize, the Robert Fletcher Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)

A. Corner (C. Halpern), London.

Second Certificate of Merit and the Tom Walton Prize
N. Jaffer (S. P. Quick), London.

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize (shared with one other)
J. H. Bowman (M. R. Harris), London.

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize (shared with one other)
R. J. M. Caffyn (G. E. Morrish), London.

Fifth Certificate of Merit and the Plender Prize for the paper on Taxation and Cost Accounting
R. A. Bambrrough (G. C. F. Shackleford), London.

Sixth Certificate of Merit
Miss P. Y. Reeder (M. Fox), London.

Seventh Certificate of Merit
G. J. Copley (A. G. J. Horton-Stephens), Brighton.
M. J. Geary (H. S. Thompson), London.

Ninth Certificate of Merit
R. G. Caldwell (N. J. Williams), Warrington.
P. B. Foreman (A. Jolly), Hove.
S. P. Holmes (W. S. Rainbow), Newcastle upon Tyne.

Twelfth Certificate of Merit
H. J. Atkinson (J. M. Keith), London.
M. Pearson (A. H. Walton), Manchester.

Fourteenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Executorship)
A. M. Rajpar (S. P. Quick), London.

Fourteenth Certificate of Merit
A. D. F. Fitz-Gerald (J. Godfrey), London.
J. Kirby (W. R. Hunter), Widnes.
Seventeenth Certificate of Merit
M. J. Sharp (M. S. Beavan), London.
Eighteenth Certificate of Merit
W. M. Roberts (D. Garrett), London.
Nineteenth Certificate of Merit
S. T. Grandage (D. R. B. Smith), London.
Plender Prize for the paper on Book-keeping and Accounts
(Limited Companies)
M. Kinney (C. R. P. Goodwin), Brighton.
Plender Prize for the paper on Auditing
I. W. M. Haddon (O. V. Durrant), Norwich.
Plender Prize for the paper on General Commercial Knowledge
J. E. Toll (H. P. Green), London.

FINAL

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Advanced Accounting (Part II)
R. K. Fisk (A. C. Judd), London.
Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting
R. J. Clark (B. C. Cornes), London.
Third Certificate of Merit
M. N. Peterson (W. H. Thomas), Liverpool.
Fourth Certificate of Merit
C. H. Brown (Sir Thomas Robson), London.
Fifth Certificate of Merit
B. L. Worth (F. R. Coad), London.
Sixth Certificate of Merit and the Plender Prize for the paper on English Law (Part I)
L. Baker (V. Sklar), London.
Sixth Certificate of Merit
C. W. R. Geering (A. G. B. Gunn), London.
Eighth Certificate of Merit, the William Quilter Prize and the Plender Prizes for the papers on Taxation and Auditing
J. P. Hardman (B. Entwisle), Bolton.
Ninth Certificate of Merit
A. G. Weller (F. G. Baker), London.
Tenth Certificate of Merit
R. J. Cooper (W. H. B. Carey), London.
Tenth Certificate of Merit and the Plender Prize for the paper on English Law (Part II)
A. C. Webb (B. Keohane), Newport, Mon.
Twelfth Certificate of Merit
A. R. Lewis (M. D. Carr), London.
Plender Prize for the paper on Advanced Accounting (Part I)
J. A. Smith (R. E. Reynolds), London.
O. C. Railton Prize for the year 1959
W. K. Ng (F. S. Young), London.

Also reported were the results in the examinations conducted by the Institute as examinations of The Society of Incorporated Accountants, of those seeking membership of the Institute.

	Passed	Failed	Total	Completing examination
Intermediate ..	76	143	219	76
Final:				
Parts I and II, together ..	4	1	5	4
Part I only ..	*56	42	98	4
Part II only ..	**173	113	286	172

* Includes four candidates who sat for both Parts of the Final examination and passed in Part I only.

** Includes one candidate who sat for both Parts of the Final examination and passed in Part II only.

Honours certificates were awarded to the following candidates in the Intermediate examination of the Society:

(in alphabetical order)

C. G. Clifton (E. D. Q. D'Alton), London.
T. F. Everson (W. B. Hall), Hull.
M. Srihari, London.
E. G. Williams (J. M. Driver), Sheffield.

Chartered Accountants Joint Standing Committee: Overseas Accountancy Examinations Advisory Board

The Chartered Accountants Joint Standing Committee has established an Overseas Accountancy Examinations Advisory Board consisting of nine members of The Institute of Chartered Accountants in England and Wales, four members of The Institute of Chartered Accountants of Scotland and two members of The Institute of Chartered Accountants in Ireland. The Board has the following terms of reference:

- (i) to advise overseas countries, when requested, on the conduct of accountancy examinations;
- (ii) to take responsibility, where necessary, for the setting of overseas examination papers and the marking of candidates' answers, on the understanding that the country concerned would develop and organize its resources to enable it to assume full responsibility as soon as possible;
- (iii) to engage the services of examiners and moderators to enable the Board to undertake the foregoing responsibility.

The Board's functions are thus to advise and assist overseas bodies in establishing and conducting their own accountancy examinations, with such standards as those bodies may choose. These examinations will have no connection with those of any of the three chartered institutes, and the examination papers of the institutes will not be used.

The Board is required to charge such fees to the overseas bodies requesting assistance as will, except in special cases approved by the Chartered Accountants Joint Standing Committee, cover the expenses of the Board including the remuneration of its examiners and moderators.

The Board has already entered into an arrangement with the Rhodesia Society of Accountants whereby that Society will receive the advice and assistance of the Board in connection with examinations which the Rhodesia Society intends to commence in 1962. Hitherto the students of the Rhodesia Society have taken the accountancy examinations set by the recognized examining bodies in the Union of South Africa but the growth of the profession in the Federation of Rhodesia and Nyasaland and the belief in its further expansion have, in the view of the Rhodesia Society, justified the making of arrangements for the conduct of its own examinations.

The nature and extent of the assistance which the Board will be able to give to any particular country will depend upon the relevant circumstances in that country and are matters for detailed negotiation with the Board.

Communications should be addressed to the Secretary, Overseas Accountancy Examinations Advisory Board, Chartered Accountants Joint Standing Committee, Moorgate Place, London, EC2.

Exemption from the Preliminary Examination

Five applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to. Three applications were refused.

Reduction in Period of Service under Articles

Six applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Registration of Articles

The Secretary reported the registration of 199 articles of clerkship during January 1960.

Admissions to Membership

The following were admitted to membership of the Institute:

- Brewer, David Gareth Arnold, B.A.; A.C.A., 1960; 6 Rochester Gardens, Croydon, Surrey.
Hill, Alan Thomas; A.C.A., 1950; 10 Lancaster Avenue, Sefton Park, Liverpool, 17.
§Runsey, Robert Arthur; A.E.A.A., 1960; 33 Mount Willmar, 36 Isipingo Street Bellevue, Johannesburg, South Africa.

Fellowship

The Council acceded to applications from thirty associates to become fellows under clause 6 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- Andrews, Edward Ison, M.B.E., T.D.; F.C.A., 1960; A.C.A., 1923; (†R. A. Paterson), Arcledean's House, Northgate Street, Ipswich.
Anslow, Charles Harry; F.C.A., 1960; A.C.A., 1925; (Appleby & Wood), Lancaster House, 47 Peter Street, Manchester, 2, and at London.
Arrowsmith, Dennis Vaughan; A.C.A., 1950; (Harold Smith & Son), 3 Clwyd Street, Rhyl, and at Prestatyn.
Bryant, David Walter; A.C.A., 1959; (Taylor & Bryant), 73 Orsett Road, Grays, Essex.
Cakebread, David James; A.C.A., 1952; (T. C. Backshell & Co), Charter House, Claremont Road, Surbiton, Surrey.
Cashmore, Jack; A.C.A., 1958 (S. 1952); (J. W. Kirkman & Co), Vernon House, 18 Friar Lane, Nottingham.
Cornish, Percival Frederick David; A.C.A., 1956; (Leonard Lane, Scotten & Co), 34/40 Ludgate Hill, London, EC4.
Dugdale, Stanley; F.C.A., 1960; A.C.A., 1958; (S. 1937); (Mitchell & Bunting), 80/86 Lord Street, Liverpool, 2.

§ means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Fox, Geoffrey Raymond, B.A.; A.C.A., 1956; (Fox, Hoare, Harris & Turnbull), Bilbao House, 36 New Broad Street, London, EC2.

Freedra, (Mrs) Gloria; A.C.A., 1959; (Freedra & Co), 28 Bell Lane, Hendon, London, NW4.

Gold, Michael Raymond; A.C.A., 1957; (*Garland, Cane, Gold & Co), 187 Wardour Street, Oxford Street, London, W1.

Hall-Strutt, Leslie Raymond; A.C.A., 1958; (S. 1957); (A. J. Harper & Co), Finsbury Court, Finsbury Pavement, London, EC2.

Harrington, Robert William; A.C.A., 1956; Church Road, Great Crosby, Liverpool, 23.

Hayes, Terence, A.C.A., 1952; (Camm, Metcalfe, Best & Co), Benefit Buildings, Moorhead, Sheffield, 1.

Hibberdine, Leslie Vivian; F.C.A., 1960; A.C.A., 1934; (Gresham, Whitehead & Cormack), 678/680 Salisbury House, London Wall, London, EC2.

Hold, William Lennox; A.C.A., 1958; (S. 1957); (*Balme, Kitchen & Pearce), 3 New Cross Row, The Moor, Falmouth, Cornwall, and at Truro.

Jackson, Peter Barrie, B.COM.; A.C.A., 1959; (Jackson, Farrell & Co), Cromwell Buildings, Blackfriars Street, Manchester, 3.

Jaeger, John Michael Lytton, B.A.; A.C.A., 1957; (John Gordon, Harrison, Taylor & Co), 7 Bond Place, Leeds, 1, and at Harrogate.

Kerr, Robert Alan; A.C.A., 1952; (Morgan & Pike), National Bank Chambers, Wind Street, Swansea.

Kirkman, David John, B.A.; A.C.A., 1959; (*Kirkman, Manning & Kay), 103/109 Queen Street, Sheffield, 1, and at Stanley.

Lamb, Maurice Ernest; A.C.A., 1959; (Clemons, Midgley & Co), 52 Bedford Row, London, WC1, and at Southend-on-Sea.

Langmaid, Peter Anthony; A.C.A., 1957; (C. D. Bromhead & Co), Wallsend House, Derrys Cross, Plymouth.

Lawrence, Roy Donald; A.C.A., 1958; (S. 1956); (Crew, Turnbull & Co), 4 Dove Court, Old Jewry, London, EC2, and at Dunstable and Luton.

Lee, (Mrs) Dorothy; F.C.A., 1960; A.C.A., 1933; (F. G. Lee & Co), Bank Chambers, Market Place, Ilkeston, Derbyshire.

Lees, Eric Liberman, B.A.; A.C.A., 1951; (H. Franklin & Co), 4 Maritime House, Old Town, Clapham, London, SW4.

Lesh, John; A.C.A., 1959; 135 Queen Street, Newton Abbot, Devon.

Ludkin, Kerry Valentine; A.C.A., 1957; (*Reeder, Smith & Ludkin), Quebec Road, East Dereham, Norfolk.

Marshall, Tony Richard, M.A.; A.C.A., 1955; (A. C. Palmer & Co), Regent House, 45 Sheep Street, Northampton, and at Bedford and Rushden.

Metzger, Ronald; A.C.A., 1955; (Howard Raphael & Co), 67/68 Jermyn Street, St James's, London, SW1.

§Norman, Arthur Clifford; A.S.A.A., 1959; 38 Fairbank Crescent, Sherwood, Nottingham.

Ogden, John Patrick; A.C.A., 1956; (Ogden Hibberd Bull & Langton), Audrey House, Ely Place, London, EC1.

Owers, Raymond; A.C.A., 1958; (Everett, Morgan & Grundy), Bush Lane House, Bush Lane, Cannon Street, London, EC4.

Pearl, Brian Irving; A.C.A., 1958; (C. D. Bromhead & Co), Wallsend House, Derrys Cross, Plymouth.

Penney, Ronald Frederick; A.C.A., 1958; (S. 1955); (F. G. Jenkins, Wood & Co), 64 West Smithfield, London, EC1.

Pickett, Michael Frederick; A.C.A., 1952; (Carnaby Harrower, Barham & Co), College Hill Chambers, London, EC4, and at Guernsey.

Procter, William; A.C.A., 1954; (R. F. Miller & Co), 131 Ramsden Square, Barrow-in-Furness, and at Ulverston.

Pursall, Anthony; A.C.A., 1958; 77 Strafford Gate, Potters Bar, Middlesex.

Rhodes, Donald; A.C.A., 1958; (S. 1955); 38 Rydale Road, Sherwood, Nottingham.

- Rice, Charles Dennis; A.C.A., 1954; (Shepherd, Son & Jones), 75/75A St Mary Street, Risca, Mon., and at Brynmawr, Ebbw Vale and Tredegar.
- Robinson, Edward Dalton; F.C.A., 1960; A.C.A., 1958; (S. 1948); (*C. H. Jefferson & Co), 15 Wells Street, Scunthorpe.
- Rudd, Frederick Cenydd; A.C.A., 1956; (Tribe, Clarke, Montgomery Williams & Co), 11/12 Wind Street, Swansea.
- Sankey, Kenneth; F.C.A., 1960; A.C.A., 1956; (S. 1949); (Edward Thomas Peirson & Sons), 13 Eaton Road, Coventry, and at Market Harborough.
- Scattergood, Alan; A.C.A., 1958; (S. 1950); (Blease & Sons), 223 India Buildings, Water Street, Liverpool, 2, and at London.
- Selig, Martin; A.C.A., 1958; Eno Chambers, 5 Collingwood Street, Newcastle upon Tyne, 1.
- Senior, David Harold; A.C.A., 1952; (Camm, Metcalfe, Best & Co), Benefit Buildings, Moorhead, Sheffield, 1.
- Smith, Eric Waldo; F.C.A., 1960; A.C.A., 1924; 162 Wickham Way, Beckenham, Kent.
- Spencer, David; A.C.A., 1956; (D. Spencer & Co), 41 Belvedere Avenue, Barking, Essex.
- Taylor, Colin Michael; A.C.A., 1957; (Bland, Carryer & McAlpin), 3 St Martin's East, Leicester.
- Thomas, Kenneth Stanley, B.A.; A.C.A., 1958; (*Newton-Brooks, Thomas & Co), 3 and 4 Westgate Chambers, Commercial Street, Newport, Mon.
- Thornton, Ronald Derek; A.C.A., 1958; (S. & R. D. Thornton), 23 Cross Street, Preston.
- Trevor, Michael; A.C.A., 1959; 62 North End Road, London, NW11.
- Ufand, David Leslie; A.C.A., 1959; 33 Hurstwood Road, London, NW11.
- Wolfe, Norman Isidor Haines, M.A.; A.C.A., 1956; (Roth, Manby & Co), 6 Vigo Street, London, W1.
- Woodruff, Stanley Winfred; A.C.A., 1953; (Stammers, Williamson & Co), 24 Gloucester Place, Brighton.
- Burke, David Huson, A.C.A., 84 Glebe Way, Hornchurch, Essex.
- Dunbar, Alexander Hamilton, A.C.A., 'The Kyles', Gaddum Road, Bowden, Altrincham, Cheshire.
- Forster, Cyril Francis, A.S.A.A., Deputy Revenue Officer, Metropolitan Water Board, Rosebery Avenue, London, EC1.
- Gibson, Thomas Charles Wykes, F.C.A., 22 Fellows Road, London, NW3.
- Harmar, Leslie Charles D'Oyly, F.C.A., Massarró, Gènova, Mallorca, Spain.
- Hickman, William Brownhill, F.C.A., 242 Mudford Road, Yeovil.
- Hillier, Arthur Bennett, F.S.A.A., Borough Treasurer, Brighton Corporation, Town Hall, Brighton, 1.
- McLerie, Donald, F.C.A., 12 Florence Terrace, Falmouth, Cornwall.
- Martin, (Miss) Gladys Eugenie, B.Sc., F.C.A., 7 Sedgwick Avenue, Hillingdon, Middlesex.
- Moir, Leslie John Angus, F.S.A.A., 15 Brian Avenue, Sanderstead, Surrey.
- Nash, Alfred Arthur, F.C.A., 22 Victoria Road, Sidcup, Kent.
- Petley, Hugh Henry, T.D., M.A., F.C.A., Heathfield House, Old Heathfield, Sussex.
- Prosser, Alan Beverley, F.C.A., 12 The Rise, Edgware, Middlesex.
- Saunders, Alan Douglas, B.A., F.C.A., with Peat, Marwick, Mitchell & Co, 20 Rue Louis-le-Grand, Paris.
- Simmonds, Gordon William, A.C.A., 162 Hook Rise, Tolworth, Surbiton, Surrey.
- Smith, Norman James Kissock, F.C.A., The White House, Telegraph Road, Caldý, Cheshire.
- Wardle, George Nicholas, F.C.A., 28 Latham Avenue, Orton Longueville, Peterborough.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

- Mr Cecil Arthur Allen, A.C.A., London.
- Ernest Alexander Anderson, F.S.A.A., Belfast.
- Harold Aspinall, A.C.A., Blackpool.
- John Ernest Barron, A.S.A.A., London.
- Francis Carteret Bishop, F.C.A., Kingsbridge.
- John Cuthbert Blumer, F.C.A., London.
- Harold Booth, M.A., A.C.A., Southport.
- George Henry Clark, A.C.A., London.
- Raymonde William Lee Clench, F.C.A., London.
- Oliver Collins, F.C.A., Birmingham.
- James Alfred Crawshaw, F.C.A., Bury.
- Ernest Doidge Davey, F.C.A., Esher.
- Raymond Dobson, A.C.A., Kampala.
- Stanley William Dodd, A.C.A., Great Shelford.
- John James Elsdén, A.C.A., Reading.
- Bertram Kidson, F.C.A., Wolverhampton.
- Ernest George Lees, A.C.A., Hertford.
- Harry Kenworthy Lomas, A.C.A., Halifax.
- Clifford Mourant, F.C.A., London.
- John Ockleshaw, F.C.A., London.
- Cyril Arthur Peters, A.C.A., St Leonards-on-Sea.
- Hugh Gordon Richmond, B.COM., F.C.A., Manchester.
- Stanley Solari Ross, F.C.A., Edinburgh.
- Arthur Belmont Ryan, F.S.A.A., Johannesburg.
- Christopher Thomas Stephens, F.C.A., Newport, Mon.
- Norman Stobie, A.C.A., Singapore.
- Robert Banks Walker, F.C.A., Blackburn.
- George Towry West, A.C.A., Manchester.
- Alfred Herbert Whalley, M.C., A.C.A., Knaresborough.

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Admission to Membership under the Scheme of Integration

Subject to payment of the amount required by the Council, the Council acceded to an application from one former member of 'The Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the Supplemental Royal Charter.

Readmissions to Membership

Subject to payment of the amount required by the Council one former member of the Institute was readmitted to membership under clause 23 of the supplemental Royal Charter.

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Shenoy, John Kumar to Shenoy, Anil Kumar.

Resignations

The Council accepted the resignations from membership of the Institute of:

- Allaun, Frank Julian, B.COM., M.P., F.C.A., House of Commons, London, SW1.
- Ashley, Herbert John, F.C.A., 28 Egerton Road North, Manchester, 21.
- Bale, Eric Gwynne, F.C.A., 3155 Travers Avenue, West Vancouver, B.C., Canada.
- Barker, Arthur James Thomas, F.S.A.A., 64 Chalmers Road, Cambridge.

The Secretary reported that it was very much regretted that, as a result of an error, the name of Mr Carl Millington, F.C.A., Birmingham, was inadvertently included in the list of deceased members published as part of the report of the meeting of the Council held on January 6th, 1960.

FINDING AND DECISION OF THE APPEAL COMMITTEE

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on January 6th, 1960.

The Appeal Committee heard an appeal against the Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Percival Henry Jackman, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, subclause (3) of the supplemental Royal Charter in that he failed (a) to deal with or to reply to with reasonable expedition four letters addressed to him by the Department of Official Receivers relating to a limited company in liquidation; (b) to take any

action in response to repeated requests made to him by the solicitors for the debenture-holder of that company by whom he was appointed receiver in relation to the completion of such receivership, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Percival Henry Jackman, F.C.A., had been proved, but the Committee, varying the Decision of the Disciplinary Committee, ordered that Percival Henry Jackman, F.C.A., of 110 King's Road, Sloane Square, London, SW3, be reprimanded.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on January 6th, 1960.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Douglas Alfred Kater, A.C.A., (a) was on September 8th, 1959, at Bow Street Magistrates Court convicted on two charges, namely: (i) that being the liquidator of a limited company he failed to send to the Registrar of Companies a statement in the prescribed form and containing the prescribed particulars with respect to the proceedings in and position of the liquidation contrary to Section 342 of the Companies Act, 1948; (ii) that being the liquidator of another limited company he failed to send to the Registrar of Companies a statement in the prescribed form and containing the pre-

scribed particulars with respect to the proceedings in and position of the liquidation contrary to Section 342 of the Companies Act, 1948; (b) had been guilty of an act or default discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3) of the supplemental Royal Charter in that he failed within a reasonable time or at all to reply to a letter addressed to him by the Secretary of the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Douglas Alfred Kater, A.C.A., had been proved and the Committee ordered that Douglas Alfred Kater, A.C.A., of 43 Fortress Road, London, NW5, be reprimanded.

MFMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

A Berliner Research Report on Simplified Cost Accounting . . . for Furniture Manufacturing . . .; by J. J. Berliner and staff. New York. 1959. (Berliner & Staff, 100s.)
Company Law in Victoria; by R. K. Yorston, S. R. Brown and H. Jackson. Second edition. Sydney. 1959. (Law Book Co, 58s.)
Differential Costs and Management Decisions; by D. R. C. Halford. 1958. (Pitman, 15s.)
Elements of Accounts: balance sheet approach . . .; by A. Baston. Fourth edition. 1960. (Cassell, 10s 6d.)
Farm Rents: a comparison of . . . farm rents in England and Wales; by D. R. Denman and V. F. Stewart. 1959. (Allen & Unwin, 27s 6d.)
Green's Death Duties; by G. M. Green. Fourth edition by C. D. Harding. 1958. Supplement, 1959. (Sweet & Maxwell, 126s and 8s 6d.)
Hallmark: a list of building societies in which deposits are trustee investments. (Franey & Co). 1959. (Franey, 7s 6d.)

Income and Economic Welfare; by S. G. Sturmev. 1959. (Longmans, 21s.)
Income Tax maintenance relief and agricultural allowances; by F. E. C. Jones, A.C.A. Second edition. 1960. (Sweet & Maxwell, 32s 6d.)
The Principles of Executorship Accounts; by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A. Fourth edition. 1959. (H.F.L., presented, 15s.)
Ryde on Rating; by W. C. Ryde. Tenth edition by W. E. Rowe, H. B. Williams and others. 1956. Supplement, 1959. (Butterworth, 110s and 15s.)
Tariffs and Trade in Western Europe. (Political and Economic Planning.) 1959. (P.E.P., 30s.)
*Underhill's Law relating to Trusts and Trustees; by Sir A. Underhill. Eleventh edition by C. M. White and M. M. Wells. 1959. (Butterworth, 95s.)

* This book has been presented to all District Society Libraries under the grant of books scheme.

FOR STUDENTS

TRANSMISSION OF SHARES — III

Chain of Transmission

IF executors or administrators forward to the company a letter of request and are registered as holders of the shares in their own right, then they become joint holders of the shares, and the procedure on the death of one or more joint holders, or on the death of the last survivor, is exactly the same as in the case of any other joint holders or last surviving holder.

If the personal representatives allow the shares to remain in the name of the deceased shareholder, however, the procedure depends on the circumstances:

- (1) On the death of one of the personal representatives, the survivor or survivors continue to act.
- (2) On the death of a sole or last surviving executor, dying testate, the shares vest in the executor(s) of the deceased executor, who are empowered to administer both the estate of the deceased executor and that of the deceased shareholder.
- (3) If the executor dies intestate, however, the 'chain of transmission' from one executor to another is broken. The administrator of the deceased executor has no authority to administer the estate of the deceased shareholder, whose next of kin will then require to take out and lodge with the company letters of administration *de bonis non* with respect to the unadministered part of the estate.
- (4) Where a sole or last surviving administrator dies, neither his executor nor his administrator can administer the estate of the deceased shareholder, since the office of administrator is not transmissible on death from the deceased administrator either to his executor or to his administrator. Letters of administration *de bonis non* will again be required.

This procedure may lead to misunderstanding and confusion, and some companies seek to avoid this by providing in their articles that personal representatives shall transfer the shares or take them into their own names within a specified time. Article 32 of Table A provides that:

"The directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the shares, and if the notice is not complied with within ninety days, the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares, until the requirements of the notice have been complied with."

When returning probate of the will or letters of administration, it may be advisable to attempt to deal with these matters by stating:

- (1) The right of the executors or administrators to be registered in respect of the shares by submitting a letter of request, but emphasizing that this is not necessary if they intend to sell the shares in the near future.
- (2) The desirability of their taking the shares into their own names to avoid difficulty should the last surviving representative die before the shares have been dealt with. Their attention should be drawn to any relevant clause in the articles.

The preceding articles in this series appeared in the issues of January 16th and January 30th, respectively.

Double Probate

Where a shareholder dies, it does not follow automatically that all the persons named as executors in the will are capable of acting, e.g. one of them may be an infant or may be abroad. In these circumstances, probate will be granted to the remaining executors with 'power reserved' for the absent or infant executor to join in the administration when he is capable of doing so, by taking out 'double probate'. The company must note the fact where such power is reserved, and on production to the company of the double probate, the previously disqualified executor will be entitled to join with the others in administering the estate. If the first executors have taken the shares into their own names, a transfer for a 'nominal consideration' will be necessary to include the executor under the double probate.

When power has been reserved in this way and the last executor dies, the company should not recognize his executor without ascertaining that the person entitled to take out double probate has renounced his right or failed to pursue it.

Photographic Copies

Photographic copies of grants of probate and letters of administration are issued by the principal and by the district probate registries, who also issue similar photographic copies of certain Scottish grants and English certificates of re-sealed Scottish and Colonial grants. The system was intended to speed up the administration of a deceased person's estate since, for quite a modest charge, separate copies of probate etc. could be obtained for dispatch to the several parties interested in the estate, instead of circulating the same document to them one after the other.

Such photographic copies must be authenticated by the seal of the Probate Court and can then be safely accepted for registration by a company's officials. Unsealed or unofficial photographic copies should not be accepted.

Miscellaneous

Letters of administration *cum testamento annexo* (with will annexed) are obtained where there is a will but either no executors are named or the named directors refuse or are unable to act, e.g. they may have pre-deceased the shareholder.

Temporary letters of administration may be obtained where the sole executor or next of kin is abroad or is a minor. Where one of the personal representatives becomes of unsound mind, the remainder must obtain a fresh grant of probate or letters of administration; power may be reserved in respect of the afflicted representative. If the sole representative becomes of unsound mind, his committee or receiver, or the next of kin of the deceased, will be empowered to carry on the administration of the estate.

Letters of administration *pendente lite* are issued where legal proceedings are pending in connection with the will, with the grant of probate or of letters of administration. In *Re The Estate of Galbraith, deceased* ([1951] 2 All E.R. 470) the estate was not fully administered. The two executors were old and were medically

certified as incapable of adequately carrying out the duties involved in respect of the unadministered part of the estate, which required constant attention. In these circumstances, the Court made an order revoking probate to the two old executors, and granted to another person letters of administration *de bonis non*, with the will annexed.

A company would be required to recognize such letters of administration and substitute the administrator thereunder for the executors under the will, so long as the shares still remained in the name of the original deceased shareholder.

Probate or letters of administration issued in Scotland, Northern Ireland, the dominions or colonies must be re-sealed in England before they can be recognized and acted upon, although this is not essential where they are lodged as evidence of death only, e.g. in the case of a deceased joint holder. In the case of foreign probate or letters of administration, a fresh grant must be taken out in this country.

Scottish confirmation may be Testament Testamentar (the equivalent of probate) or Testament Dative (the equivalent of letters of administration) and executors may be referred to as 'executors and trustees'. Scottish executors may bring in another person to act with them by deed of assumption and, contrary to English practice, by which there is no procedure under which an executor who has accepted office may resign, may resign by deed of resignation.

Where existing Scottish executors by deed of assumption add to their number, it is the common practice, among English companies which may be affected, not to recognize such additional executors unless a transfer of the shares is made from the existing executors into the names of those executors and the additional executor or executors assumed by the deed of assumption. This naturally involves registration of such executors in their own right and without reference to their representative capacity. The reason for this, apparently, is a reluctance to accept a deed of assumption as being sufficient in itself to alter the original confirmation which, in effect was an order of the Court.

The question has arisen whether any liability rests with a company should it have reason to believe, in registration of probate of a will that the securities held by the deceased person in the company have not been included in the estate, thereby suggesting avoidance of estate duty.

The legal position would appear to be as follows:

- (1) An English company may safely accept English grants of probate and also Scottish confirmations, Northern Irish grants and colonial grants, which have been re-sealed in this country. There is no reason why they should not draw attention to omissions of holdings in the company belonging to the deceased, but such omissions cannot be treated as grounds for refusing to register the grant.
- (2) A Scottish company may similarly safely register an English grant of probate duly re-sealed in Scotland.
- (3) The position of a Scottish company dealing with a Scottish confirmation is different, however, since a Scottish confirmation operates as a grant of title, not to the whole estate of the deceased, but only to the particular assets to which the executor 'confirms'. If there are assets of the

deceased to which the executor does not confirm, then some other person, e.g. a creditor, may obtain confirmation as executor-creditor and obtain a title to such assets, retaining them up to the value of his debt.

Consequently a Scottish executor must 'confirm' to the securities held by the deceased in the company, before he may be allowed to deal with them. A Scottish company which allowed an executor to deal with such securities without confirming to them may incur liability for debts of the deceased, including estate duties, to the value of the securities.

The sole executor of a deceased person can appoint an attorney, who will require to take out letters of administration with the will annexed. Where a company other than a trust corporation is appointed executor, the company must appoint under seal a representative, termed a syndic, to whom such letters of administration will be granted. Where such a company is appointed joint executor with individuals, letters of administration cannot be granted to the syndic unless the individuals renounce probate, since probate and letters of administration will not both be granted in respect of the same estate. Probate will be granted in its corporate name to a trust corporation.

Where the estate of a deceased shareholder is below the minimum amount attracting death duties, it is possible to obtain authority for the next of kin to administer the estate without taking out probate or letters of administration. In this case the company will require to see a death certificate and will also require a letter for the Estate Duty Office certifying that no duties are payable, and a statutory declaration from the person seeking to deal with the shares to the effect that he is the person entitled to administer the estate. An indemnity may also be required.

It may happen that, although a shareholder is known to be deceased, no representatives come forward to deal with the shares. In these circumstances, and having made what inquiries and suggestions are possible, the company can do nothing further. The shares will remain in the name of the deceased shareholder and his dividends will remain in the 'unclaimed dividends' account.

Bankruptcy and Liquidation

On the bankruptcy of a member, his shares vest in the Trustee in Bankruptcy. The company should require production of an office copy of the appointment or a copy of the *London Gazette* in which the appointment is advertised. The trustee can disclaim partly paid shares, in which case the company can prove in the bankruptcy for any loss sustained. By Section 14 of the Bankruptcy Act, 1914, a trustee in bankruptcy may transfer stock or shares in the same way the shareholder could have done had he not become bankrupt. Most articles of association, as in clause 30 of Table A, entitles the trustee to take the shares into his own name in the same way as the personal representative of a deceased shareholder. If the trustee does so, then he naturally assumes personal responsibility in respect of the shares.

Where a joint holder becomes bankrupt his trustee in bankruptcy will be recognized as before, but must, of course, act in conjunction with the remaining joint holders.

Where a company goes into compulsory liquidation, the order of the Court or a copy of the *London Gazette* should be required as evidence of the appointment of the liquidator. If the winding-up is voluntary, certified copies of the resolutions for winding-up and appointment of the liquidator should be required. If the liquidator transfers the shares, any transfer by deed would require to be under the seal of the company attested by the liquidator.

Unsound Mind

Where a shareholder becomes of unsound mind, the Court may appoint a committee or curator to ad-

minister his affairs. Where a receiver is appointed, he has authority only to administer the income of the afflicted person. Transfers of shares can be effected only under the authority of a person so authorized by an order in lunacy; the company will require to see an office copy of such order before registering a transfer. In respect of a joint shareholder of unsound mind, the committee, curator or receiver would act with the other joint shareholders. If the shareholder of unsound mind dies, the shares will be transmitted to his personal representatives.

In Scotland, a *curator bonis* has implied power to sell the estate. (Concluded.)

In Parliament

£ Sterling: Purchasing Value

Mr DE FREITAS asked the Chancellor of the Exchequer whether he is aware that, taking the internal purchasing value of the £ sterling as 20s in October 1951, it had declined to 18s 5d in December 1953, to 16s 9d in December 1955, to 15s 6d in December 1957; and what was the comparable figure for December 1959.

Mr BARBER: Yes; on the basis of the Index of Retail Prices. The comparable figure for December 1959, was 15s 3d.

Hansard, Jan. 29th, 1960. Written Answers. Col. 71.

Income Tax: Allowances

Mr D. PRICE asked the Chancellor of the Exchequer the estimated loss of revenue to the Exchequer in a full year if the personal allowance for income tax was raised by £10 for the single taxpayer and by £20 for the married taxpayer.

Sir E. BOYLE: £78 million.

Mr D. PRICE asked the Chancellor of the Exchequer the estimated loss of revenue to the Exchequer in a full year if the child allowance for income tax was raised by a flat rate of £20 a child, irrespective of age.

Sir E. BOYLE: £33 million.

Hansard, Jan. 29th, 1960. Written Answers. Col. 72.

Income Tax: Schedule A

Mr D. PRICE asked the Chancellor of the Exchequer the estimated loss of revenue to the Exchequer if the Schedule A tax were to be abolished.

Sir E. BOYLE: About £50 million.

Hansard, Jan. 29th, 1960. Written Answers. Col. 72.

Surtax

Mr JOHN HALL asked the Chancellor of the Exchequer what he estimates the cost to the Revenue would have been if the earned income allowance had been deducted before assessment of income for surtax.

Mr AMORY: £27 million in a full year.

Mr HOUGHTON asked the Chancellor of the Exchequer the present annual cost of administration of surtax; and what saving he estimates would be possible if work on surtax were decentralized to local inspector's offices.

Mr AMORY: The annual cost of administering surtax, excluding the cost of determining the underlying income tax assessments, is about £2 million. On the

second part of the question I would refer the hon. Member to my answer of December 15th, 1959.

Hansard, Feb. 2nd, 1960. Written Answers. Col. 101.

Caravans and Sites: Rating

Mr PARKER asked the Minister of Housing and Local Government and Minister for Welsh Affairs what action is taken to rate caravans and caravan sites so that they make a reasonable contribution towards local government services including dealing with nuisances arising from caravan sites.

Mr H. BROOKE: Caravan sites are rated. Caravans, as being chattels, are not ordinarily rateable. The rating position is referred to in paragraphs 233 and 234 of the Arton Wilson report on 'Caravans as Homes' (Cmd. 872). It is being considered in that context by my working party on rating and valuation.

Hansard, Feb. 2nd, 1960. Written Answers. Col. 103.

Farming Losses

Mr CRONIN asked the Chancellor of the Exchequer if, having regard to the recent report of the Comptroller and Auditor-General on the Appropriation Accounts, indicating that the total amount of farming losses allowed against taxation in one year was about £13½ million, he will take steps to implement the recommendation of the Royal Commission on the Taxation of Profits and Income that the term 'husbandry' in Section 526 of the Income Tax Act, 1952, should be limited to that carried on on a commercial basis, with a view to the realization of profits.

Mr AMORY: I have noted the hon. Member's suggestion, but I cannot anticipate my Budget statement.

Mr CRONIN: While it is appreciated that the Chancellor cannot anticipate his Budget statement, in the course of his secret lucubrations in the next few months, will he examine this serious and extensive abuse of tax law and its very deleterious effect on agriculture?

Mr AMORY: I have noted the hon. Member's suggestion and I will also note his further observations.

Mr SHINWELL asked the Chancellor of the Exchequer how many farmers not solely engaged in agriculture claim relief of taxation on account of losses sustained arising from farming.

Mr AMORY: I regret that the information is not available.

Mr SHINWELL: I am not surprised at that. Surely

the right hon. gentleman will agree that there are quite a number of people who engage in this practice and purchase farms, though they are not interested in agriculture, only for the purpose of gaining because of losses? Is it not time we stopped this racket, this jiggery-pokery, on the part of a number of people, of which he is well aware?

Mr AMORY: I am sure the right hon. gentleman would not wish to use the expression 'jiggery-pokery' in connection with all farmers who have some other commercial activity as well as their farms.

Mr SHINWELL: Does not the right hon. gentleman agree that it is a bit of a racket for a person to purchase a farm, although not interested in agriculture, solely for the purpose of gaining because of the losses that are sustained? Is not this a most undesirable practice?

Mr AMORY: I should want full details of the cases which the right hon. gentleman has in mind before I should care to express an opinion.

Hansard, Feb. 2nd, 1960. Oral Answers. Col. 767.

Capital Gains

Mr CRONIN asked the Chancellor of the Exchequer if, bearing in mind that about £5,000 million capital profits were made on industrial shares in 1959, he will institute an inquiry as to the desirability of introducing a capital gains tax.

Mr AMORY: The arguments for and against this form of tax were examined at length by the Royal Commission on the Taxation of Profits and Income which reported in 1955.

Mr CRONIN: Will the Chancellor bear in mind that it was in the early 1950s that the Royal Commission made this investigation and that there was also a minority report which came out very strongly in favour of a tax on capital profits? Will the Chancellor consider introducing a tax on capital profits, as it seems very inequitable that many workers by hand and brain should be taxed quite savagely while there remains a privileged small minority of shareholders and large property owners who are completely immune from taxation on their gains?

Mr AMORY: Important matters of that kind must be kept under review, but the hon. Member has quoted from one period and I ask him to remember that there are apt to be periods when capital losses are apt to be just as frequent as capital profits.

Mr H. WILSON: Does not the Chancellor recognize that in the present state of industrial relations, with some extremely low wages being paid, the vast unearned capital gains which have been made are highly provocative, particularly since they do not bear tax? Secondly, in his capacity as guardian of the public revenue, will he recognize that the experience of the past few years and past few Budgets shows that nothing causes more deprecations of the revenue received by the Treasury than this totally vicious taxation anomaly as between income and capital and the ingenious ways of getting out of income into capital?

Mr AMORY: I will take note of what the right hon. gentleman has said.

Hansard, Feb. 2nd, 1960. Oral Answers. Col. 769.

Tax Reliefs: Home Helps

Lieut.-Col. CORDEAUX asked the Chancellor of the Exchequer whether he will extend the provisions of Section 218 of the Finance Act, 1952, to enable a

married man with children, whose wife is totally incapacitated by infirmity for the whole of the year of claim, to obtain tax reliefs for payments for a home help or the wages of a non-resident domestic employee.

Mr AMORY: I have noted my hon. and gallant friend's suggestion, but I cannot anticipate my Budget statement.

Lieut.-Col. CORDEAUX: Will my right hon. friend agree that, among the many families in which the wife is so incapacitated that permanent domestic help has been and will indefinitely be necessary for many years, the financial burden falls most heavily on the poorer families who, because of lack of accommodation or other reasons, are not able to employ resident domestic help? In considering his Budget, will he see whether he cannot do something to help those people?

Mr AMORY: I am rather chary about agreeing to anything at this time of the year, except the importance of my saying as little as possible on almost everything, but I will take note of what my hon. and gallant friend has said.

Mr WILSON: Since we have pressed this and similar amendments to Finance Bills in recent years, will the Chancellor consult some of his hon. friends on the possibility that they might vote for some of those amendments to future Finance Bills instead of merely raising the matter at Question Time?

Hansard, Feb. 2nd, 1960. Oral Answers. Col. 770.

Schedule E

Mr WADE asked the Chancellor of the Exchequer whether he will adjust the rules relating to expenses allowable in assessing liability to income tax under Schedule E, in order to remove the anomalies which at present exist as between those who are assessed for income tax under Schedule E and those who are assessed under Schedule D.

Mr AMORY: The hon. Member will not expect me to anticipate my Budget statement.

Mr WADE: Does the right hon. gentleman agree that taxpayers who are in receipt of salaries and wages are at a disadvantage and are treated more adversely than those assessed under Schedule D? It is a long time since the Royal Commission reported, and there has been rather a long close season. Can the right hon. gentleman's reference to his Budget statement be regarded as an assurance that he will look into this matter again before making that statement?

Mr AMORY: I am very cautious about accepting any commitment at all, but I think I can safely say that between now and the Budget I shall be looking again at everything which I have already looked at, so I can give the hon. Member the assurance for which he has asked. On the other hand, I would ask him to appreciate that there is a difference in the nature of the offices assessed under Schedule E and Schedule D, respectively.

Lord HINCHINGBROOKE: Will my right hon. friend take note of suggestions repeatedly made by hon. Members on both sides of the House to the effect that he ought to take powers to change taxation from time to time during the year by way of affirmative resolution, which would enable him repeatedly to enjoy anticipating his Budget statement? Cannot we get away from this absurd period of purdah of four months preceding the annual Budget?

Hansard, Feb. 2nd, 1960. Oral Answers. Col. 780.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS COOPER BROTHERS & Co, Belgian Congo, announce that their address in Elisabethville is now P.O. Box 1808, 2238 Avenue Wangermée, and that Mr GEORGE J. M. DYER, A.C.A., is the resident partner.

MR JAMES PASCALL CHATTERIS, F.C.A., C.A.(S.R.), announces that as from January 1st, 1960, he has commenced in practice under the style of CHATTERIS & Co, Chartered Accountants, at St Andrew's House, 40 Jameson Avenue Central, Salisbury, Southern Rhodesia, P.O. Box 1079. Telephone: Salisbury 22406.

Appointments

Mr H. F. Joy, F.C.A., has been appointed deputy chairman of J. A. Devenish & Co Ltd and of Redruth Brewery Co Ltd.

Mr D. Powell, F.C.A., has been elected chairman of Cambooker New Holdings Ltd.

Mr C. D. MacQuaide, F.C.A., has been appointed managing director of La Forestal Argentina S.A., Buenos Aires.

Mr D. A. Pease, B.A., A.C.A., has been appointed an additional director of the Western Stockholders Investment Trust Ltd.

Mr Clive S. Corder, F.S.A.A., has been appointed a director of Southern Life Association of Africa.

SIR HALFORD REDDISH TO LECTURE IN UNITED STATES

Sir Halford Reddish, F.C.A., chairman and managing director of the Rugby Portland Cement Co Ltd, has accepted an invitation to address the Graduate School of Business Administration of Harvard University, U.S.A., in March.

BRITISH INSTITUTE OF MANAGEMENT

New Chairman Designate

Mr H. P. Barker, M.INST.GAS.E., M.I.E.E., M.I.MECH.E., M.INST.T., F.B.I.M., chairman and managing director of Parkinson Cowan Ltd, has been elected chairman designate of the British Institute of Management. He will succeed Lord Verulam at the annual general meeting of the B.I.M. next October.

INDUSTRIAL CO-PARTNERSHIP ASSOCIATION

Luncheon Meeting

'Industry, profits and people' will be the title of an address to be given by Mr Jo Grimond, M.P., at a luncheon meeting of the Industrial Co-partnership Association to be held at the Connaught Rooms, Great Queen Street, London, WC2, next Thursday, February 18th. The chair will be taken by The Rt. Hon. Sir Geoffrey Shakespeare, Bt., M.A., LL.B. Tickets, priced 30s, are obtainable from Mrs I. S. Ramsey, M.B.E., Secretary of the Association, 36 Victoria Street, London, SW1.

Thirtieth Summer Conference

The thirtieth summer conference of the Association will be held at Girton College, Cambridge, from

July 8th-11th and will have as its theme 'Giving employees a stake in the business'. The speakers will include Sir Archibald Forbes, G.B.E., C.A., chairman, Central Mining and Investment Corporation Ltd, Sir William Cash, M.A., F.C.A., chairman, Amalgamated Asphalte Companies Ltd, and Mr W. T. Gill, C.A., financial director, Rolls-Royce Ltd.

The conference is open to all interested persons, whether members of the Association or not, and ladies can be accommodated; the fee will be 12 guineas residential, 10 guineas non-residential. Requests for provisional reservation forms should be addressed to the Secretary of the Association.

LOCAL LOANS FUND

Interest rates Increased

The rates of interest on loans to local authorities from the Local Loans Fund have been increased as from January 31st. The new rates are as follows:

	Per cent	
Loans for not more than five years ..	5½	(5)
Loans for more than five years but not more than fifteen years	6	(5½)
Loans for more than fifteen years but not more than thirty years	6	(5¾)
Loans for more than thirty years	5¾	(5½)

The previous rates of interest (shown in brackets) have been in force since March 28th, 1959. The new rates apply only to future loans; the rates of interest on existing loans are unaffected.

The changes are in pursuance of the policy of the Treasury to keep the lending rates of the Public Works Loan Board in line with those prevailing in the market for loans to local authorities.

INSTITUTE OF ACTUARIES

An ordinary general meeting of The Institute of Actuaries will be held in Staple Inn Hall, on February 22nd, at 5 p.m., when Mr J. J. Finelli, F.S.A., will read a paper on 'Installing electronic procedures - a progress report'.

On Monday, March 28th, Sir Owen Wansbrough-Jones, K.B.E., C.B., will deliver the ninth Alfred Watson Memorial Lecture entitled 'Professionals and amateurs'.

BUSINESS EFFICIENCY EXHIBITION

The forty-seventh national Business Efficiency Exhibition is to be held at Bingley Hall, Birmingham, from May 16th to 21st. Well over one hundred firms will be participating in the exhibition, which is being organized by the Office Appliance and Business Equipment Trades Association.

ECONOMIC CONDITIONS OVERSEAS

A further booklet in the series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation contains a comprehensive analysis of economic conditions in Germany. The booklet is available from H.M. Stationery Office, price 2s 6d.

**MANAGEMENT ACCOUNTING
SUCCESSFUL CONFERENCE AT CHESTER**

The residential conference on management accounting held last week-end at Chester by the Liverpool Society of Chartered Accountants, in co-operation with the Merseyside Productivity Association (announced in our last issue) was well attended and most successful.

Opening the conference, Brigadier D. I. Crawford, C.B., D.S.O., T.D., A.D.C., D.L., chairman of Wm. Crawford & Sons Ltd, expressed the view that if British industry is to win through in the competitive markets of the world, the search for cost reduction must be unceasing and to this end managements must require their accountants to play a leading role. He said that there must be an intimate and full understanding between accountants and the various levels of management so that the abilities of both could be employed to give maximum effectiveness, and added that there were many who viewed a balance sheet rather like a dead butterfly—the product of a sterile accountant's magic—whilst there were others who still regarded the accountant as a person who tells people what they already know by showing them figures which they don't understand. These conceptions, he said, were outmoded and outdated since the accountancy profession as a whole is now trained and prepared to apply the modern techniques of management accounting, so that figures can be supplied which will prevent waste occurring and so help materially to reduce the costs of future products.

Brigadier Crawford said how glad he was to see that the top management level of industry was so well represented at the conference; this, he thought, was indicative of common thought and of an active partnership between the accountancy profession and industrial management. He said that this partnership was bound to be successful and would yield the most profitable results, especially when there was consultation and a meeting of the two attitudes of mind.

Mr C. J. Peyton, F.C.A., President of the Liverpool Society of Chartered Accountants, presided throughout the conference, and papers were presented on 'What management requires from the accountant'; 'Forecasting of profits'; 'Control of product diversity'; and 'Work study in the office'.

**SOUTH WALES AND MONMOUTHSHIRE
SOCIETY OF CHARTERED ACCOUNTANTS**

Mr K. S. Carmichael, A.C.A., gave an interesting lecture on 'Back duty' on January 28th to a large and appreciative audience of chartered accountants at Cardiff. The address was followed by a lively discussion when Mr Carmichael dealt with several interesting points raised. The chair was taken by Mr C. R. Daniel, F.C.A., President of the South Wales and Monmouthshire Society of Chartered Accountants.

**MANCHESTER SOCIETY OF CHARTERED
ACCOUNTANTS****Discussion Group**

The next meeting of the Manchester Society of Chartered Accountants' Discussion Group will be held at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, at 5.45 p.m. for 6 p.m., on Tuesday, February 23rd. The subject for discussion will be 'Revision of the Companies Act'.

New members are welcome and further information may be obtained from the hon. secretary of the group, Mr J. G. Shepherd, A.C.A., at the above address.

**NORTH LONDON DISCUSSION GROUP
OF CHARTERED ACCOUNTANTS**

The next meeting of the North London Discussion Group of Chartered Accountants will be held at *The Russell Hotel*, Russell Square, WC1, on Wednesday next, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'The National Insurance Act, 1959', and the leader will be Mr C. F. Chiddick, F.I.A.

**MINISTER ADDRESSES DUBLIN
CHARTERED ACCOUNTANTS**

A recent luncheon meeting of The Dublin Society of Chartered Accountants held at *The Royal Hibernian Hotel*, was attended by some eighty members. The chairman of the Society, Mr John Love, F.C.A., who presided, introduced the guest speaker, Mr Jack Lynch, Minister for Industry and Commerce.

Mr Lynch addressed members on 'Ireland's industrial future'. He emphasized that chartered accountants have an important part to play in ensuring among Irish industrialists an awareness of the need for imaginative policies. Recently, he said, some encouraging trends in industrial exports had developed, particularly in exports to the United Kingdom. This was no accident but the result of hard work and intelligent action of a type which should be emulated more widely.

Mentioning the current negotiations concerning Ireland's part in European trade, he pointed out that a new and greatly changed situation might emerge. This might extend even to the participation of the United States and Canada in a trade organization designed to replace O.E.E.C.

Mr Lynch stated that undoubtedly the present situation would not remain unchanged and although the future held new hopes, complacency must be avoided. He stressed again the fact that chartered accountants being in a position to advise their clients on many matters had an important role to fill in helping to ensure that Irish industry would play its part in the crucial years ahead.

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INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The Manchester Chapter of The Institute of Internal Auditors is holding its next meeting on Tuesday, February 16th, at 7 p.m. in the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2. The speaker will be Mr W. J. Richards, assistant chief constable, Manchester City Police, who will speak on 'Security of cash', and the chair will be taken by Mr K. Bradley, President of the Chapter, and head of the Internal Audit Department, Associated Ethyl Ltd, Northwich. A cordial invitation is extended to all interested non-members.

Information regarding the activities of the Chapter may be obtained from Mr R. S. Rossiter, divisional internal auditor, Shell-Mex and B.P. Ltd, Shell-B.P. House, 7 Oxford Road, Manchester, 1.

Yorkshire Chapter

The next meeting of the Yorkshire Chapter of The Institute of Internal Auditors will be held on Tuesday, February 23rd, at 7 p.m., at *The Hotel Metropole*, King Street, Leeds, 1, when Mr M. W. Lambert, tutor in charge, Midland Bank training branch, Leeds, will speak on 'Organization and training within the bank'.

Inquiries regarding membership of the Chapter should be addressed to the secretary, Mr J. Coates, divisional internal auditor, Shell-Mex and B.P. Ltd, Eastgate, Leeds, 2.

BLACKPOOL AND FYLDE
CHARTERED ACCOUNTANTS

The eleventh annual general meeting of the Blackpool and Fylde Branch Chartered Accountants' Society was held at *The Palatine Hotel*, Central Promenade, Blackpool, last Monday, preceded by the usual monthly luncheon meeting. The officers and committee for the ensuing year are as follows:

Mr A. Bleazard, F.C.A., was re-elected President and representative to the North Lancashire Branch.

Hon. Auditor: Mr H. Gregory, A.C.A.

Librarian: Mr J. C. Bryan, A.C.A.

The Hon. Secretary, Mr J. D. Eckersley, A.C.A., having resigned during the year, Mr G. A. Box, A.C.A., acted as temporary secretary; as he did not wish to continue, however, Mr R. Thursz, A.C.A., was appointed Hon. Secretary of the Society.

Committee: Messrs H. Moore, F.C.A. (Chairman), R. G. Bayley, A.C.A., J. Blane, F.C.A., A. Bleazard, F.C.A., G. A. Box, F.C.A., C. Brooke, F.C.A., J. C. Bryan, A.C.A., B. G. Counsell, Jun., F.C.A., F. C. Darwell, F.C.A., J. S. Darwell, F.C.A., H. Denner, F.C.A., F. S. Nickson, F.C.A., E. A. Nickson, F.C.A., M. S. Owen, F.C.A., R. Thursz, A.C.A., and W. G. Wearden, F.C.A.

The secretary reported a static membership of one hundred and referred to steady progress made during the year.

THE CHARTERED ACCOUNTANTS'
STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 6 p.m., at the Institute: Lecture on 'Straight and crooked figures', by Dr N. L. Johnson, M.Sc., Ph.D., F.I.A., reader in statistics, University College, London.

Wednesday, 6 p.m., at the Institute: Balloon debate - with commentaries by Miss H. M. Taylor, Principal, Abbey School for Speakers.

7.30 p.m., at Westcliff-on-Sea: Lecture on 'Planning your career in accountancy', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.

Association football v. Guy's Hospital.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'The fundamentals of auditing', by Mr F. R. Porter, F.C.A., A.C.W.A.

6.30 p.m., at *St Paul's Tavern*, Chiswell Street, EC2: '59 Club' supper.

7 p.m., at Reading: Lecture on 'Contract and process cost accounts', by Mr C. J. Russell, A.C.A.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'The basic principles of double-entry and accounting systems', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society, and 'The law and its branches', by Mr P. W. Medd, Barrister-at-Law.

Saturday: Squash v. Old Harrovians.

LIVERPOOL AND MANCHESTER
STUDENTS' RESIDENTIAL COURSES

The education and joint tuition committees of the Liverpool and Manchester Societies of Chartered Accountants are holding their twenty-second joint residential courses for students at Burton Manor, Burton-in-Wirral, Cheshire, from March 18th to 25th. The courses are open to both Intermediate and Final students who are in the offices of members of the Institute within the areas of the Liverpool and Manchester district societies.

A comprehensive programme has been arranged and lectures will cover all subjects in the examination. The fee for the course is £12 1s 6d and application forms to be returned by February 24th, are obtainable from The Librarian, Liverpool Society of Chartered Accountants, 5 Fenwick Street, Liverpool, 2, or the Assistant Secretary, Manchester Society of Chartered Accountants, 46 Fountain Street, Manchester, 2.

COURSE ON BUDGETARY CONTROL

A two-day course on 'Budgetary control' is to be held at *The Piccadilly Hotel*, Piccadilly, London, W1, from February 24th to 25th.

The course is designed to provide an understanding of how flexible budgetary control is operated and the potential benefits. Speakers will be Mr F. Clive de Paula, T.D., F.C.A., F.C.W.A., Mr W. H. Haddleton, F.C.I.S., and Dr James M. S. Risk, B.COM., Ph.D., F.B.I.M. Further particulars of the course are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

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THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Results of Examinations held in December 1959

FINAL EXAMINATION PARTS A AND B

First Place (S. Laurence Gill Prize):
Aggarwal, Satinder Kumar, Calcutta.

Ball, W. R., Alston, Cumberland.
Blackburn, K. W., Doncaster.
Blower, J. S., Wolverhampton.
Bowden, C., Benoni, South Africa.
Chazhoor, I. S., Bombay.
Corlett, H. S., Wallasey.
de Beyer, P. J. G., Johannesburg.

Eade, D. D., Leicester.
Gillespie, A., B.F.P.O., Germany.
Goodwin, K. R., Huntingdon.
Gowland, G., Newcastle upon Tyne.
Jolly, D. L., London.
Lambrick, L. J. O., Bristol.
Mackrael, J. A., Luton.

Moorhouse, T., Coventry.
Morris, J. R. P., Johannesburg.
Ramachandran, S. V., Bombay.
Stead, J. G., Leeds.
Stevenson, J. B., Devizes.
Yelland, D. A. D., London.

145 candidates sat. Of these, 21 candidates (as listed above) passed Parts A and B; 20 candidates passed Part A only, 34 candidates passed Part B only, 70 candidates failed to secure any pass.

PART A (COMPLETING FINAL)

**Don-ld L. Moran Prize for Management - Factory and Distribution.*

Ahmad, S., Rawalpindi.
Allen, R., Timperley, Cheshire.
Allison, B., Sheffield.
Anantharaman, K. S., Bombay.
Andrew, H., Ashton-under-Lyne.
Arrigan, J., Dublin.
Atkinson, J. A., Bulawayo.
Bailey, D. J., Aldershot.
Balakrishnan, S., Calcutta.
Banerjee, S., Newcastle upon Tyne.
Baxter, W. S., Alloa, Clackmannanshire.
Belding, S. W. F., London.
Bentley, G. D., Lancaster.
Berriman, E. M., West Hartlepool.
Blackshaw, N., Cape Town.
Boote, M., Coventry.
Boyle, C. A., London.
Broomfield, P. D., Feltham, Middx.
Bullough, R. F., Wigan.
Burgin, P. B., Huddersfield.
Byrne, I. H., Sutton Coldfield.
Carroll, A. R., Dublin.
Carter, R. J., Bilton.
Cartledge, T., Rotherham.
Castley, J. A., Chester.
Cato, B. G., Bulawayo.
Chadwick, P. N., Coventry.
Church, J., Llwynypia, Glam.
Clark, A. G., London.
Clark, A. F. F., Wembley.
Clark, I. W., Kirkintilloch.
Clarke, F. C., Caerphilly, Glam.
Coates, S. R., Sheffield.
Cockrell, D., Ilford, Essex.
Costello, G. H., Leeds.
Cotterill, G. T., Aldridge, Staffs.
Cragg, C. L., Chippenham.
Cregan, M. F., London.
Crowder, A., Cleethorpes.
Davies, J. D. S., London.
Day, M. J., Barwell, Leics.
Devitt, D. J., Erith, Kent.
Dodd, R. G., Bristol.
Downs, C. R., Rainham, Essex.
Evison, D. W. V., Coventry.
Faizi, F. M., Karachi.
Falcon, P., Wallasey.
Farrell, D. J., Maidstone.
Faruqi, M. F., Birmingham.
Fisher, K. J., Salisbury, Southern Rhodesia.
Ford, C. E., London.

Fox, A. A., Chesterfield.
Frank, R., Leeds.
George, C. H., Lymington, Hants.
Goodall, D. P., Allestree, Derby.
Goodwin, L., Swinton, Lancs.
Graham, L. R., Chester.
Graseman, J. F., Southend-on-Sea.
Grindley, C. B. B., Twickenham.
Groen, H. C., Burnham-on-Sea.
Groves, E. D. C., Southampton.
Hadley, C. A., Erdington, Birmingham.
Harker, J. K., Slough.
Harrison, W. A., Burry Port, Carmar.
Hazelwood, D. C., London.
Hesham, P. G., Manchester.
Higgins, A. C. E., Harlow, Essex.
Hinson, A. E., Bedford.
Hodson, D. J., Leicester.
Hunt, J. H., Hebden Bridge, Yorks.
Iyer, P. H. S., Durgapur, India.
Jackson, G., Bradford.
James, P. M., Birmingham.
Jewell, R. W., Waltham Cross, Herts.
Jhaveri, S. B., Bombay.
Jones, G., Halesowen.
Jones, M. D., Bolton.
Jones, W. R., Stockport.
Kamat, P. V., Bombay.
Keane, J., Washington, Co. Durham.
Kelly, J., Dundee.
Kidiyoor, H. A., Bombay.
Klages, H. A. W., Cape Town.
Krishnamurthy, G. V., Calcutta.
Kundu, B. K., Birmingham.
Lamb, A., Newcastle upon Tyne.
Lambert, B., Farnworth, Lancs.
Laughton, D., York.
Leftly, N. E., London.
Lim, T. L., Singapore.
Linsdell, J. A., Bulawayo.
Lloyd, A. G., Carlisle.
Lord, J. G., Altrincham, Cheshire.
Macbriar, G. C. G., Basildon, Essex.
McDonough, J., Bury, Lancs.
Macfarlane, G. D., Newcastle upon Tyne.
McIntosh, D., Sevenoaks.
McRae, D. R., Sale.
Madley, C. H., Cardiff.
Maitland, R., Huddersfield.
Majumdar, D., Bombay.
Mansell, P. E., London.

Marks, J. W., Warwick.
Marshall, E. J., Doncaster.
Marshall, G. M., Timperley, Cheshire.
Martinsen, L. G., Johannesburg.
Miller, H., London.
Miller, J. A., Crosby, Liverpool.
Mitchell, F. E., Shipley, Yorks.
Moolman, I. J., Wellington, South Africa.
Morley, K. J., Northolt.
Moss, J., St Albans.
Munn, J. P., Lagos.
Murray, B. M., Ashton-under-Lyne.
Mylaraiya, T., Bangalore.
Nabar, V. M., Bombay.
Nelson, N. H. G., Bournemouth.
Newsholme, H., Sale.
Nixon, J., West Hartlepool.
Norris, R. W., Solihull.
Nummey, J. G., Kilbarchan, Renfrews.
Owen, L. G., Stafford.
Pasea, D. A., Demerara, British Guiana.
Patrickson, J., Newcastle upon Tyne.
Pearce, N. C., London.
Pinto, R. F., Karachi.
Prower, R. W., London.
Pursey, S. M., London.
Qadeer, A., London.
Raleigh, J. J., Goatstown, Co. Dublin.
Ramachandran, A. K., Bombay.
Richards, D. D., Birstall, Leics.
Ridgway, C., Upminster, Essex.
Roberts, D., Sale.
Roberts, K. H., Wellingborough.
Roberts, W. D., Chester.
Rowe, R. L., Aldershot.
Rowley, G. W., Sutton Coldfield.
Rowson, D., Manchester.
Rubins, A. E., Toronto.
Sanders, G. A. H., Wokingham, Berks.
Saunders, D. J., Cwmbran, Mon.
Scott, B., Walsall.
Sengupta, A., London.
Shearwood, D. R., Heston, Middx.
Shireby, V. M., Sheffield.
Shore, J. R., Walsall.
Shuttleworth, J. A., Warrington.
Smith, R. H., Perth.
Sparks, A., Oldbury.
Stelfox, G. H., Vanderbijl Park, South Africa.
Stonehouse, E., Harrogate.

Tait, R. McG., Dundee.
Tester, B. S., London.
Thomas, E. D., Tonypandy, Glam.
*Thompson, E. V., Bedford.
Thornton, P., Royton, Lancs.
Tierney, G. G., Dublin.
Tijoriwala, A. G., Bombay.
Tredgett, M. C., London.
Tucker, B. E., Apapa, Nigeria.

Tuckett, J. C., Rainham, Essex.
Upton, W. J., Birmingham.
Vann, D. A., Gloucester.
Viswanathan, R., Bombay.
Walkinshaw, D., Dundee.
Walsh, M. B., London.
Walton, W., Newcastle upon Tyne.
Waterfield, R. D., Derby.
Waterlow, A. J., Stevenage, Herts.

Webb, B. J., Bridgwater, Somerset.
Weideman, S. S., Port Elizabeth.
Wheatland, D. R., Heswall Hills, Cheshire.
Wilson, F. Y., Glasgow.
Windridge, C. A., Coventry.
Woods, G., Makuru, Kenya.
Worsley, R. B., East London, South Africa.
Wright, T. C., Tipton.
Yates, R. B., Huddersfield.

564 candidates sat. Of these, 179 candidates (as listed above) passed; 385 candidates failed.

PART B (COMPLETING FINAL)

Adam, J., London.
Backhouse, B. D., Nottingham.
Begley, J. I., Erdington, Birmingham.
Boor, G. W., Barnsley.
Burgess, G. C., Watford.
Clare, R. L., Coventry.
Clark, R. J. C., Rangoon.
Day, G. B., Liverpool.
Dick, W., Bellshill, Lanarks.
Dodd, B., Bolton.
Donnelly, J. A., Wakefield.
Dougan, C. M., Birmingham.
Douglas, T. W., Port of Spain, Trinidad.
East, A. S., Gainsborough.
Foster, D. N., Smethwick.
Gardiner, F. M., Greenock.

Goldingham, A. S., Aylesbury.
Gorbould, G., Newcastle upon Tyne.
Grove, C. L., London.
Hodgson, W. P., Bristol.
Hollin, B., Rotherham.
Hooker, M., Oshawa, Canada.
Howard, T., Leeds.
Hurrell, P. R., Northampton.
Johnson, A. J., Stretford, Manchester.
Kelly, P. J., Dublin.
Khan, A. R., Karachi.
Kiggins, W., Glasgow.
Lau, W.-S., Hong Kong.
Lemmon, J. A., Thornton Heath, Surrey.
McQueen, D. C., Solihull.
Makins, D. R., Johannesburg.

Mayman, K. G., Walsall.
Parkin, J. M., Barnsley.
Phillips, D. R., Edgware, Middx.
Pratt, H., Colchester.
Ryan, P. J., Athlone, Co. Westmeath.
Sachse, N. C. J., Springs, South Africa.
Sammons, L. J., Burgess Hill, Sussex.
Somerville, J., Wolverhampton.
Stephen, R., Aberdeen.
Stevenson, A. P., Glasgow.
Sutton, J., Manchester.
Wainwright, L., Coventry.
Ward, A., Coventry.
Willis, R. H., Newport, Mon.
Woodward, L., Manchester.
Zucker, H. W., London.

112 candidates sat. Of these, 48 candidates (as listed above) passed; 64 candidates failed.

Summary of Results

GRADE	PASSED	PASSED	PASSED	PASSED	PASSED	FAILED	NUMBER OF CANDIDATES
	Completing Examination	Intermediate Part I only	Part A only	Part B only	TOTAL		
FINAL							
Parts A and B	21	—	20	34	75	70	145
Part A (Completing Final)	179	—	—	—	179	385	564
Part B (Completing Final)	48	—	—	—	48	64	112
Part A (only)	—	—	71	—	71	91	162
Part B (only)	—	—	—	278	278	485	763
TOTAL	248	—	91	312	651	1,095	1,746
INTERMEDIATE							
Parts I and II	105	122	—	—	227	198	425
Part I	—	416	—	—	416	872	1,288
Part II	392	—	—	—	392	982	1,374
TOTAL	497	538	—	—	1,035	2,052	3,087
GRAND TOTALS ..	745	538	91	312	1,686	3,147	4,833

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No Plain Man's Guide

THE MINISTER OF PENSIONS AND NATIONAL INSURANCE, has referred to the National Insurance Advisory Committee draft regulations dealing with the assessment of the graduated contributions which are to be introduced in April 1961. It will be recalled that the National Insurance Act, 1959, lays down that both employee and employer shall pay $4\frac{1}{2}$ per cent of earnings between £9 and £15 per week, but leaves it to regulations to determine the detail and it is these regulations that are now before the Advisory Committee. The Committee will consider representations on the subject submitted to its offices at 10 John Adam Street, London, WC2, not later than March 8th, 1960.

At first sight, the draft regulations are surprisingly complex and run to nine pages. The parts applicable in the vast majority of cases are, however, straightforward; contributions on earnings which are paid at weekly or monthly intervals are to be assessed according to tables included in the regulations; each week or month is dealt with on its own. For example, on earnings from £9 0s 1d to £9 4s 11d the contributions are 1d from each side; on £9 5s to £9 9s 11d they are 4d; etc. On a month's pay from £39 0s 5d to £39 19s 11d they are 5d, and from £40 to £40 19s 11d they are 1s 3d, and so on.

The tables do not apply to those under age 18, the self-employed or non-employed, or those who are contracted out because they are members of a private pension scheme.

Where the draft regulations become complicated is where they deal with payments other than normal weekly or monthly ones, e.g., payments at irregular intervals, holiday pay, where the interval changes from, say, weekly to monthly or *vice versa*, where a person receives payment for two jobs from the same or different employers, etc. It is important that there should be no doubt as to the proper contribution in each case, but the language of the draft regulations is so complex that it is to be hoped, when they appear in their final form, that either they will be drastically simplified or a plain man's guide will also be issued.

In the case of, say, two weeks' holiday pay and one week's normal pay made by the employer before the holiday commences, there is the choice of calculating contributions as one three-weekly period or three separate weekly periods. In the case of two employments with different employers, each will be treated separately, and if the employee then pays too much he can recover; but employers cannot. It is therefore important to remember that the pension is 6d per week for each £7 10s paid by the employee (female £9) - not each £15 (£18) paid jointly.

Confirmation with Third Parties

A VALUABLE AUDIT TECHNIQUE

by JOHN SMURTHWAITE, A.C.A., C.A.(Canada)

DIRECT confirmation with third parties is perhaps the most important audit technique to be reappraised in recent years. As a result of this reappraisal its applications and possibilities have been considerably increased.

The purpose of direct confirmation is to provide external evidence as to the size and character of assets and liabilities and the scope of transactions of a client concern. Third parties are frequently in a position as good, or better than, the client to provide this information. The auditor is thus able to have more objective information at his disposal than would otherwise be possible.

General Rules of Usage

Before discussing the application of confirmation tests, the general rules of usage must first be outlined. All confirmation requests may be divided into two categories, the positive and the negative. The former requests a reply from the recipient in any instance, and the latter requests a reply only where the information contained in the letter of request is incorrect.

The third party receiving the letter of request does not usually know the accountant making the confirmation test as the auditor of the client concern. For this reason, whenever possible confirmation requests should be so worded that they are a request from the client concern to provide information to the auditor. The recipients of confirmation requests are naturally hesitant about supplying information of a confidential nature to persons not known to them. Most accountants feel that they receive a much more satisfactory response where the confirmation request emanates from the client concern.

Because of the great reliance placed upon the results of a confirmation test, it is vital that the test should be controlled through all its stages by the auditor. This means control of all the relevant accounting records whilst the data is being prepared or checked and control of the confirmation requests after preparation to the point of mailing; and after the return of the replies, control of the replies until such time as they can be formally handed over to the client, should this be necessary, or differences disclosed satisfactorily explained.

Cash in Banks

Probably all practising accountants are familiar with the use of bank confirmations to confirm balances with the banks, liabilities for guarantees, discounts etc., letters of credit outstanding, securities held for safe-keeping and as collateral, outstanding deposits and transactions occurring around the end of the financial year. Accountants in Canada and the U.S.A. have each adopted a standard form of bank confirmation request, prepared in conjunction with the banks. Provided these forms are signed by a signing authority to the bank accounts, all reasonable information is readily forthcoming. Because these forms are standard, all the banks know exactly what information is required of them and second requests are rarely necessary.

Cash Funds

It is not always possible to attend all locations where a client concern has cash funds at balance sheet date. In such cases, confirmation of cash balances with the holder of the cash funds provides a suitable alternative. Where internal control is sound and the records kept permit, it is not necessary to confirm all the balances at each year-end provided the balances are relatively small, though all balances should be counted or confirmed over a period of, say, three to five years.

Securities

Not all concerns maintain physical possession of their securities, either because they are held in safe keeping, have been pledged, or because transactions have not been completed at the end of the year. In these circumstances it is not normally feasible to count the securities physically, though this could perhaps be done by special arrangement. The most suitable alternative is to confirm the securities with the holder by direct correspondence. As the accountant normally wishes to know the reason why the securities are being held, as well as the nature of the securities held, the typical confirmation requests the following information:

- (1) Balance of the account with the holder.

- (2) Securities held, and the reason for holding them, either as:
 - (a) collateral for a note or loan;
 - (b) for safe keeping;
 - (c) for collection on maturity;
 - (d) for transfer, registration or redemption.
- (3) A list of notes discounted with the holder.
- (4) A list of any guarantees and endorsements on the notes or loans of others held by the holder.

If the holder is a bank, the request for this information can be incorporated in the bank confirmation request.

In the case of securities confirmation requests, it is best to fill in the information from the client's records and to let the holder attest to its correctness, as far more satisfactory results are achieved this way. Where the holder is a bank, however, the reverse is true; information may be requested under the various headings indicated and the bank left to fill in the detail.

If securities transactions are numerous, as in the case of an investment company, special arrangements are necessary in respect of the cut-off. It may be desirable to have securities held in safe keeping listed at some date prior to the year-end, and special notification of any deposits and withdrawals to the year-end date. Brokers should be requested to furnish additional information as to securities dispatched by them shortly before the year-end date, and received by them shortly after the year-end date, as these items would normally be in transit over the year-end. It would not otherwise be possible to determine their precise location at cut-off point.

Trade Debtors

Direct confirmation with trade debtors provides the most satisfactory evidence of the existence of a debt, and the correctness and propriety of the items making up the account. Provided that the internal control is sound and the records kept permit it, confirmation tests obviate the necessity for most of the extensive, tedious test checking previously required. No matter how extensive the confirmation test, some test checking is, of course, necessary to follow through the internal control procedures and to establish that they are working correctly.

The number of accounts to be confirmed and the type of confirmation to be used will, of necessity, depend upon the circumstances of each particular case. It is unfortunately the case that it is seldom possible to be specific when expounding principles. Generally speaking, where the trade debtors are on average each of high value, the

positive type of confirmation will be chosen. Where the trade debtors are mixed as to size, the positive type of confirmation will be chosen for the larger accounts and the negative type for the smaller accounts. Negative confirmations are seldom used exclusively except for special audits, but where all the accounts are relatively small in size, this type of confirmation may be chosen.

The number of accounts chosen for confirmation will depend upon the auditor's evaluation of internal control. Sound internal control permits a smaller number of accounts to be confirmed than is the case where internal control is poor. The usual method of selection is to confirm all accounts over a certain size with positive type confirmations, and if a mixed-type confirmation test is being performed, a selection of the accounts under the value limit is chosen for negative confirmation. It may also be desired to confirm some accounts specifically, either at the request of the client, or because of some unusual feature, such as frequent round sum payments. These items may be easily incorporated in the test. The client may sometimes request that some specific accounts should not be confirmed. Where this is the case, there should always be a valid reason underlying the request.

There are several alternative methods of selecting accounts to be chosen for the confirmation test. Amongst the methods now coming into use is the random sample chosen by random sample tables, and used in conjunction with statistical techniques. Statistical methods themselves have brought about advances in confirmation techniques applied to trade debtors. Of necessity they have focused more attention on the internal control deficiencies revealed by the confirmation test replies, than upon the amount of the errors indicated.

Types of 'Trade Debtor' Confirmation Requests

Three types of confirmation request in common use are the form letter into which the relevant detail of the account may be typed or handwritten, the confirmation sticker, and the hand-stamp which may be placed on the client's regular monthly statements.

Examples of the positive and negative type of confirmation request used by one international firm in its Canadian offices are shown overleaf.

Results that can be Expected

Normally only about 50 to 60 per cent of confirmation requests bring replies. Where form

letters are used in conjunction with monthly statements, or where confirmation stickers are attached to second copies of monthly statements, a much better response is achieved, usually 70 to 80 per cent. A trade debtor usually likes to keep the monthly statements sent to him by his supplier. Where he receives only one statement which the auditor would like returned, he is usually reluctant to part with it. This accounts for the somewhat poor response unless second copies of monthly statements are dispatched.

If stickers are attached to the monthly statements, they should be code numbered as to the name of the client and the client's customer. It is frequently found that the recipients of confirmation requests will detach the stickers and return them without any notation as to the name of the sender or the client whose account he is confirming.

Where replies to positive confirmation requests have been ignored and the amounts are material, second requests should be dispatched. On average about 50 to 75 per cent of second requests are answered. Some requests remain unanswered, regardless of how many times they are issued. In other cases the customer replies that he is unable to confirm because his records are not sufficient

to indicate the balance with his suppliers. Alternative procedures have to be adopted in these cases.

Alternative Procedures

For those customers who consistently fail to extend the courtesy of a reply, the balance of the account may be verified by vouching the constituent parts with sales invoices and customers' orders, shipping memoranda, production orders, etc., and by comparison with costing records if these are available. Where customers are unable to confirm the balances, because suppliers' accounts are kept on the vouchers payable system, it is frequently possible to confirm specific payments with them. These procedures provide suitable alternatives. A check of subsequent payments, though useful, is not conclusive evidence of the existence of trade debtors.

Replies should be checked against the working papers showing the confirmation requests dispatched. Customers who do not reply are listed and included with the management letter written at the end of the audit. This is done to relieve the auditor of the responsibility of following through each of these accounts.

Differences noted require to be analysed to show the aggregate net error as a percentage of the confirmations returned in total plus negative confirmations dispatched, to see that the average net error is tolerable. The differences are also analysed to indicate internal control failures; these may be much more significant than the average net error. For instance on 200 confirmations valued at £200,000, differences may be noted, net, on twenty confirmations to the value of £200 net, which would give an average net error of one-tenth of 1 per cent – a tolerable level. However, if closer analysis revealed that fifteen of the differences were due to internal control failures, this would show that 7½ per cent of the confirmations dispatched were in error. This would not be a tolerable level for internal control purposes, and would certainly indicate that internal control on trade debtors required much closer attention.

Trade Creditors

Occasionally it may be thought desirable to perform a confirmation test on trade creditors. It is not usual to perform a general test, but rather to attempt to confirm certain specific balances. This is generally thought to be advisable in the case of the balances with major suppliers and in cases where suppliers' month-end statements indicate major unreconciled differences between the two parties. On other occasions,

Client..... No.....

IMPORTANT

Please confirm directly to our auditors

Name and Address

(not to us) as to the correctness of your indebtedness to us as shown above. Kindly sign below and return in the enclosed envelope.

Balance correct except as noted.

Signed

PLEASE EXAMINE CAREFULLY

If statement is not correct
do not communicate with us but
kindly notify our auditors

Name and Address

giving particulars of difference

confirmation may be sought where the client is in possession of consignment stocks.

Stock-in-trade

Where any part of the stock-in-trade at the year-end examination is represented by consignment stocks, goods in the hands of sub-contractors, goods still in the possession of suppliers, or stocks in outside warehouses, these items have to be confirmed with the holders. A detailed listing of the merchandise so held is prepared by the client and checked to the perpetual stock records by the accountant before dispatch. If the location where the stock-in-trade held by outsiders is at a distance from the central plant or shipping point, it may be desirable to list merchandise shipped to the outside holder in the last few days before inventory date. In this manner it is possible to confirm stock in transit satisfactorily by asking for dates of receipt to be indicated by the outside holder.

Life Assurance Policies

Certain types of life assurance policies have a cash surrender value, others have clauses permitting a change of beneficiary. It is most desirable that life assurance policies should be confirmed with the assuring company. The confirmation request should ask for the following information:

- (a) the amount assured;
- (b) the annual premium and the date to which the premiums have been paid;
- (c) the cash surrender value, if any, and where the policy is 'with profits', the amount of any bonuses etc. withdrawn in the audit period;
- (d) the name of the beneficiary;
- (e) the name of the assignee, if the policy has been assigned;
- (f) the status of any policy loans.

Notes and Mortgages Payable

Occasionally some clients finance their operations or part of them by way of borrowing on notes. In these cases confirmation with the holders of the notes is desirable. The confirmation should detail the following information:

- (a) the amount of indebtedness on open account;
- (b) the amount of indebtedness by way of notes, showing:
 - (i) date of notes;
 - (ii) due dates;
 - (iii) original amount of notes;
 - (iv) unpaid balances of notes;
 - (v) interest rates;
 - (vi) date that interest was paid up to;
 - (vii) collateral;
 - (viii) details of endorsements.

Where the borrowing is done by way of mortgage note, additional information will be listed:

- (c) brief description of property mortgaged;
- (d) list of insurance policies and other documents in the possession of the note-holder.

The results of this type of confirmation test are usually very satisfactory; most note-holders are very co-operative and answer confirmation requests readily.

Legal Opinion and Contingent Liabilities

The existence of certain contingent liabilities, for example, lawsuits threatened or pending, is not usually disclosed by the books of account and records of a client concern. The extent of these liabilities may not be known with certainty by the client.

In these circumstances, it is preferable to receive the opinion of the client's solicitors as to the nature and status of lawsuits and claims threatened and pending. This is best done by sending an open confirmation request to the solicitors, asking only for information under general headings. It is not advisable to detail such information as is known to the accountant, as frequently the solicitors concerned will restrict their replies to the information detailed, and other claims and lawsuits will not then be brought to the accountant's attention. It can be helpful to ask the lawyer to word his opinions carefully since such opinions may be used verbatim in wording notes to the balance sheet.

Lawyers are notoriously slow in rendering their bills, and there is no objection to asking for an estimate of unbilled legal charges in the confirmation request. In this fashion substantial liabilities for legal charges have frequently been brought to light.

Conclusion

Confirmation with third parties is one of the most valuable audit techniques available to practising accountants. There are a large number of cases where this procedure may be used to the benefit of all parties concerned. Confirmation requests received from other parties, if replied to conscientiously and with dispatch, can form a valuable part of a client concern's own internal control. Care should be taken, however, when applying the confirmation test, that the results are interpreted by an accountant with skill and experience. Confirmation with third parties will not be the most suitable or desirable method of providing audit verification in every case, and it should not be used indiscriminately.

The Port of London Authority

ADDRESS BY VISCOUNT SIMON, C.M.G.

at London Chartered Accountants' Luncheon

The Rt. Hon. Viscount Simon, C.M.G., Chairman of the Port of London Authority, was the guest speaker at a luncheon of the London and District Society of Chartered Accountants at the Connaught Rooms last Monday. After being introduced to members by Mr J. D. Russell, M.A., F.C.A., Chairman of the Society, Lord Simon delivered the following address.

I WAS very pleased to accept your Chairman's invitation to talk to you about the Port of London Authority, of which I have the great privilege of being chairman. The Port of London has, of course, been in existence for a very long time – I believe since before the Romans came to Britain – and it has continued to handle sea-borne trade during the centuries, growing all the time because early in its history London became the great merchant city of this country. In the early days, of course, there was no kind of organization but the Thames was one of the Royal rivers, and the port was one in which the Crown had a particular interest. It is, in fact, rather interesting that there was discovered in the course of some operations which took place near Blackfriars some while ago, a silver seal of King Edward I, which was described as the 'Seal of King Edward in the Port of London'.

Later on the responsibility for the port was handed over, like so many responsibilities, to the Corporation of London, who became the rulers of the port. I gather from history that they took very little interest in it and, in fact, by the end of the eighteenth century conditions were pretty bad. Very little was done to look after the river and even less to look after the ships, and the port had a very bad name indeed.

First Dock Built

It was about that time, towards the end of the eighteenth century, that the first dock was built at Rotherhithe; not for the handling of merchandise but for the refitting and repair of ships, which, of course, then were all sailing ships. Later on another dock for the same purpose was built at Blackwall.

The first docks for the handling of merchandise were built in the early part of the nineteenth century and that was done because by that time the amount of pilferage and thieving which took place on the river was really deplorable and it was thought that goods would be safer if they could be unloaded and stored in enclosed docks. The first was the West India dock built by West India merchants, and the London Dock followed soon after. A while later the East India Dock was built by the East India Co; then, as the century progressed, other docks were built. They were all, of course, owned by private companies who entered quickly into the most fierce competition

with each other. This, in fact, is one of the least successful stories of private enterprise because they competed so fiercely and disastrously with each other that they came to the verge of ruin. They had no money to spend on improvements or development and they got into such a critical condition by the end of the century that Parliament thought fit to appoint a Royal Commission to inquire into what should be done. As Royal Commissions will, they sat for several years and then recommended the establishment of a port authority to take over the docks from the independent dock companies.

This was only part of the battle because, as you know, Royal Commissions may recommend but nothing may happen. On this occasion Mr Balfour's Government did attempt to legislate but there were so many of what are called 'vested interests' concerned that the Bill was thrown out and it was left to the Liberal Government of 1906 to recommend legislation and to pass it eventually in 1908.

P.L.A. Established

Thus, just over fifty years ago the Port of London Authority was set up to take over the properties of the dock companies and also to assume responsibility for the conservancy of the River Thames from Teddington to the sea and for the promotion and development of the port generally. The river conservancy had previously been in the hands of the City Corporation, but in 1867 the Thames Conservancy was established to control the river from its source to the sea. This body remains to this day responsible for the river above Teddington while from Teddington downwards the responsibility was handed over to the Port Authority.

What was this body – the Port of London Authority – that was set up? It was established by an Act of Parliament to consist of eighteen elected members and ten nominated members. The eighteen elected members are elected as to eight of them by the payers of dues on ships, and eight by the payers of dues on cargo; another represents the lighterage interests – which are very important – and one represents the wharfinger interests. Of the ten nominated members, two were nominated originally by the Board of Trade and now by the Ministry of Transport; four are nominated by the London County

Council, of whom it is rather curiously laid down that two should be members of the Council and two not members; and two by the Corporation of London (again one being a member of the Corporation and one not), one by Trinity House, who are responsible for lightering and buoyage, and one by the Admiralty.

That is how the board is composed. It has the right to elect a chairman, who may or may not be one of the elected or nominated members, and also a vice-chairman, so that the board consists of twenty-eight, twenty-nine or thirty people. Any of you who are associated with companies will agree that that is a rather large body to operate as an executive body and it does not attempt to do so. The set-up is rather similar to that with which you may be familiar in local government and other bodies of that kind, where most of the work is done by committee, comprising perhaps seven or eight members, who then make recommendations to the board. It is a satisfactory system because the various members of the board can acquaint themselves with the particular problems of the two or three committees to which they are nominated.

Work of the Authority

What is it the Authority does? First of all, as I told you earlier, it is responsible for the operation of the docks – the whole dock system – which consists of the Tilbury Docks, the Royal Docks (Victoria, Royal Albert and King George V, the latter being the only one built by the Authority), the Millwall group of docks (East India, West India and Millwall), the Surrey Commercial Docks on the other side of the river, which were originally built by three different companies which eventually amalgamated, and the London and St Katherine Docks right up almost under the shadow of the Tower.

In these docks we handle an immense amount of shipping. I will not trouble you with many statistics but one has to mention some figures in order to picture the size of this thing. Last year the total number of ships which entered and left the port – each ship being in this way counted twice – was 55,225; that means on an average seventy-five ships in and seventy-five ships out on every day of the year. These ships brought or took away fifty-two million tons of cargo of which about one-third was handled in the docks and about two-thirds in the river; so that you can take it that the docks are handling roughly seventeen million to eighteen million tons of cargo a year.

The Port Authority owns the docks but it does not, in fact, do all the work in the docks. In certain docks shipowners are enabled to hire a berth and they then employ the labour on the quay, but in other docks the Port Authority employs the labour direct and handles the shore side of the business. In addition the Authority operates its own railway, which connects with British Railways at various exchange sidings and brings traffic in and out of the docks alongside the ships' berths. We have in the docks also our own

police force, which is responsible for all the shore policing of the dock areas. This is of great importance to us and I think it is a very satisfactory arrangement; not that we should not get the best possible service from the various police forces concerned, but because it is so much easier to have all the dock police under one control.

The Authority also undertakes a very considerable amount of warehousing, a business which we inherited from the original dock companies and to which we have added as time went on. It may possibly surprise you for instance, to know of the enormous amount of wine of various kinds which we store in the docks, particularly the London Dock which is a great centre for the wine trade. We are engaged now in putting in an installation for the discharge of wine in bulk from the ships' tanks.

We have also warehouses for tea, for tobacco – very large warehouses for tobacco in the Victoria Dock – and wool for the London wool sales. We also have some warehouses outside the port limit, of which I think the most interesting is at the back of Houndsditch where we have a rather wonderful warehouse built by the old East India Co. In it will be found some of the most fascinating cargoes, including probably the largest collection of Oriental carpets in the world, a trade which used to be centred in Constantinople and came here after the 1914-18 War. This warehouse also houses ivory, ostrich feathers, and many rare drugs, and down in the basement there is the only opium store in London.

I have left it to the last to talk about the river, which is, after all, the most important part of the port, because without the river the ships could not get to the docks, and anyhow in the river is handled over two-thirds of the traffic. The Authority is responsible for conservancy of the river, maintaining the channel by dredging as necessary, but it owns no riverside installations, except for the passenger jetty at Tilbury, and the adjacent cargo jetty. Anybody who wishes to undertake activities on the banks of the river has to obtain a licence which is granted after careful consideration of the effect of the proposed installations on the river and on other users.

I mentioned earlier the importance of the lighterage interests in the port. A great deal of cargo is taken to and from the riverside wharves by lighter and that includes a considerable volume of cargo that is loaded into or discharged from ships in the docks. In fact, more than half of the cargo that is handled in the docks comes from or goes into lighters, so that you can imagine the importance of these wharves to the port.

Financial Facts

I have now referred briefly to what we do and I should like to give you a final picture which you as accountants can understand and appreciate, by giving you one or two figures about the size of this enterprise from a financial point of view. The original installations taken over by the Authority in 1909

were paid for by the issue of £22½ million of Port Stock; this was followed, I think a year later, by another £2 million, making £24½ million, which, in those days, was a substantial figure. About as much again has since been spent on capital development. Maintenance and replacement of plant is paid for out of revenue. Last year the total revenue of the Authority was £18½ million. This is raised by charges on goods and on ships. £10½ million came from goods and £6¾ million from ships. Then there is miscellaneous revenue from warehousing and so on. The total revenue is, broadly speaking, all spent on working expenses and maintenance. For fresh capital expenditure we have to go to the market, which we did last year for the first time for many years.

I am afraid I have not had time to tell you more than a little about the way the Port of London Authority works but I hope I have told you enough to give you some picture of this port, which is the largest port in the country and one of the largest in the world, which handles 20 per cent of the shipping that comes into and goes out of this country and, we believe, a rather higher proportion of the goods.

The Authority is a wonderful organization to be connected with and I am very proud to be chairman of it. Of course I am still new to the job but I am learning every day and I am already convinced that it is a type of organization well fitted to carry out the task laid upon it, to maintain and develop the Port of London.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CEYLON

New Institute Formed

IN our issue of February 28th, 1959, we referred to the first reading in the House of Representatives at Colombo of a Bill to further the regulation of the accountancy profession in Ceylon by the establishment of a professional body to be called The Institute of Chartered Accountants of Ceylon.

The new Institute has now been set up under the Institute of Chartered Accountants of Ceylon Act and Mr L. A. Weerasinghe, F.C.A., a Fellow of the English Institute and Ceylon's Auditor-General, has been nominated by the Minister of Food, Commerce and Trade as the first President. A council of eleven members is to be appointed shortly and will be composed of leading accountants in Ceylon.

Those eligible for membership of the new Institute in the first instance will include members of other recognized professional bodies and persons registered as auditors under the local Companies' (Auditors) Regulations, 1941. Thereafter, the normal approach to membership will be by practical training and examination as prescribed and conducted by the Institute. Arrangements have been made to hold the first examination under the aegis of the Institute at the end of this year.

CANADA

The Valuation of Goodwill

IN this feature in our issue of February 6th, we noted a brochure entitled *The Function of Management* which The Canadian Institute of Chartered Accountants had compiled from a series of co-ordinated articles on the subject in *The Canadian Chartered Accountant*. Another similar assembly, this time called *The Valuation of Private Business and Professional Practice*, now makes its appearance

(price \$2.00) and it has the same characteristics as its stable companion. Each of the eight contributors is an expert and their articles, without exception, are full of able and shrewd comment. The first article defines goodwill and emphasizes the difficulties of evaluating it. The second deals with the accounting entries required for recording it in varying circumstances. The next three contributions cover, in turn, the valuation of a privately-owned business, the importance of earnings ratios in determining the profitability of businesses, and the calculation of the worth of a minority interest. The last three writers consider how to value an accounting practice, a legal practice and an insurance agency.

It is unwise to be dogmatic about goodwill and all the experts in this instance approach it with a circumspection which denotes long experience and sound judgment. If their qualifications outnumber their positive assertions, it is because they know all the perils and pitfalls of this tantalizing subject and their caution should command the respect of their readers.

The Trust Company as Share Transfer Agent and Registrar

IN Canada, as in the United States, the trust company, as transfer agent, plays a distinctive economic and financial role. Mr B. B. Upshall, F.C.I.S., in *The Canadian Chartered Accountant* of December last, tells how this capacity of trust companies has been expanding with the Canadian economy since before the turn of the century.

In Ontario alone, transfer agents in 1958 issued more than 2,200,000 share certificates and more than 2,300,000 dividend cheques totalling \$201 million. The Toronto Stock Exchange requires listed companies to 'maintain a transfer office or agency and a registry office or agency in the City of Toronto . . .

generally speaking no agent other than a trust company will be acceptable'. The objects of such a requirement are to facilitate delivery and collection of share certificates, to encourage standardization of transfer regulations, and to protect brokers and security purchasers against the real danger of over-issue of stock.

Since 1958, the shares of 1,167 companies were traded on the Toronto Stock Exchange. Had there been no transfer agents, the Toronto member brokers would have had to deliver certificates for transfer to that number of companies, throughout Canada and the United States, instead of to some twenty-five or thirty offices. The present time schedule of forty-eight hours to complete a transfer would have been wholly inadequate.

UNITED STATES

Fees for Professional Accountant's Services

IN *Hanlin v. State Board of Accountancy of the State of California*, the Superior Court has annulled the State Board's suspension of a certified public accountant's licence to practise. The accountant, who was engaged by the Grand Jury of the County of Madera to undertake an audit of the City of Madera and the Office of the Purchasing Agent, charged about \$45,000 for his services. This sum was approved by the Grand Jury and its presiding judge, but not by the State Board of Accountancy, who suspended the C.P.A.'s licence for three years, contending that he was dishonest and guilty of fraud in making grossly excessive charges, doing unnecessary work, billing for time spent by employees of an unnecessarily high classification, and spending too much time in preparing and writing the final reports and financial statements.

In announcing his decision the judge said that to fix a C.P.A.'s fees by prescribed standards or fixed rates would reduce all accountants to a totalitarian equality, making professional ability, experience, reputation and training meaningless. A professional man should be free to charge 'whatever in good conscience he believes his services to be worth'.

Long-term Leases on the Balance Sheet

IN its 1958 balance sheet, Lenkurt Electric Co Inc, after long discussion with its auditors, its bankers and others, clearly reflected all its leasehold facilities as assets and showed as liabilities the related long-term obligations. Mr Kenneth R. Rickey, C.P.A., the company's vice-president and treasurer, claims this as a major step forward in the disclosure of financial information. Lease agreements for manufacturing plants are a method of financing closely related to other forms of long-term debt, the decision as between leasing or ownership being of major financial importance. In a sale and lease-back transaction, as in an ordinary mortgage, the lessee acquires a property right and incurs a determinable obligation.

Mr Rickey states that financial analysts are concerned that accountants have lagged in recognizing the real nature of these lease contracts. Loan covenant provisions of leasing agreements are beginning to include conditions such as the following: '... there shall be added to funded debt and to the company's investment in flight equipment the value ... of such leased engines and propellers ...' (Delta Air Lines, 1958).

The effect of such accounting treatment on balance sheet ratios may be of great importance to management, bankers, investors and bond-rating houses. Since the financial community wants the information, the lenders insist on it, and the American Institute of Certified Public Accountants and the Securities and Exchange Commission do not object to more disclosure, Mr Rickey concludes that management should break with tradition and pioneer something new and better.

AUSTRIA

Post-war Reorganization of the Profession

THE rebuilding of Austria after that country regained its independence in 1945, also brought with it a new arrangement and readjustment of the professional standing of *Wirtschaftsprüfer* (qualified accountants). The *Wirtschaftstreuher-Kammergesetz* (Institute of Qualified Accountants Law) which came into effect on January 1st, 1948, established the Institute as an obligatory organization, representative of the interests of those persons employed in the branches of auditing and trusteeship. The organization is incorporated by public law which provides for its self-administration as a permanent profession. The law lays down the duties of the Institute and provides for its organized development. The Institute is required, among other things, to represent the interests of its members, to supervise their further professional education and to provide for satisfactory training and examination of new entrants to the profession. The Institute maintains a high standard in its examinations and in the professional work and conduct of its members thereby enhancing public respect for the profession.

Drafts of State laws which touch the interests of the profession are submitted to the Institute for approval before they are dealt with by the Legislative Committee. The professional directive (*Wirtschaftstreuher-der-Berufsordnung*) issued in 1955, divided the members of the Institute into the following professional groups: (1) *Wirtschaftsprüfer* (qualified accountants) with right to execute the obligatory examination of joint-stock companies (*Aktiengesellschaften*); (2) *Buchprüfer* (qualified auditors); (3) *Helfer in Buchführung und Steuersachen* (advisers in book-keeping and tax matters). Six years' qualified experience and a certain academic degree are prerequisites for admission to groups 1 and 2; three years' qualified experience and the matriculation certificate are stipulated for the advisers in book-keeping and tax matters.

Weekly Notes

The Accountant Annual Awards

MR K. W. MACKINNON, M.B.E., T.D., Q.C., has accepted an invitation to become chairman of the Panel of Judges for *The Accountant Annual Awards* in the place of Mr J. B. Lindon, O.B.E., Q.C., who has retired from the Panel. Mr Mackinnon is a bencher of Middle Temple, and a member of the Company Law Committee recently set up by the President of the Board of Trade.

New members joining the Panel this year are: Mr C. D. Gairdner, C.A., a partner in the firm of McClelland, Moores & Co, Chartered Accountants; Mr A. W. Giles, M.B.E., M.A., C.A., a managing director of Baring Brothers & Co Ltd; Mr Ian T. Morrow, C.A., F.C.W.A., a Past President and a member of the Council of The Institute of Cost and Works Accountants, and managing director of U.K. Optical Holdings Ltd; and Sir Richard Yeabsley, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, President of The Society of Incorporated Accountants in 1956-57 and a member of the Monopolies and Restrictive Practices Commission from 1949-56.

Mr C. I. R. Hutton, B.A., C.A., Mr Bertram Nelson, C.B.E., J.P., F.C.A., and Mr G. Godfrey Phillips, C.B.E., have now retired from the Panel.

The remaining members of the Panel are Mr A. S. H. Dicker, M.B.E., F.C.A., a Past President of The Institute of Chartered Accountants in England and Wales; Mr Donald V. House, F.C.A., a Past President and a member of the Council of The Institute of Chartered Accountants in England and Wales; The Rt. Hon. Lord Latham, J.P., F.A.C.C.A., a Past President and a member of the Council of The Association of Certified and Corporate Accountants; and Mr Arthur E. Webb, Editor of *The Accountant*.

For the seventh successive year since the inception of *The Accountant Annual Awards* in 1954, there has been a marked increase in the number of company reports submitted for consideration.

The names of the winning companies this year will be announced at the beginning of May, and the Awards are to be presented by the Lord Mayor of London, Alderman Sir Edmund Stockdale, at the Mansion House next June.

Schedule E and Free Clothes

ON Tuesday, Mr Justice Danckwerts rejected a claim by the Inland Revenue to Schedule E tax on the full retail price of a suit of clothes provided for an employee by his employer. His lordship held that only the second-hand value was chargeable to tax. In the case of *Wilkins v. Rogerson*, as reported in *The Times* of February 17th, the employer had made arrangements for the employee to go to a specified firm of tailors and acquire at his choice (but at the cost of the employer) a suit, overcoat, or raincoat at a price not exceeding £15. The employee chose a suit costing £14 15s the second-hand value of which was agreed to be only £5. This case was described by counsel for the Crown as a test case on the question of principle on what basis a cash payment paid to a third party for the benefit of an employee gave rise to liability to tax on the part of the employee. It will be discussed more fully in next week's issue.

Hire-purchase Company's Liability

PRINTED hire-purchase agreements imposing onerous conditions on the hirer gave rise to the Hire-purchase Act, 1938, Section 8 of which provides, *inter alia*, that:

'8. . . .

(2) Where the hirer expressly or by implication makes known the particular purpose for which the goods are required there shall be an implied condition that the goods shall be reasonably fit for that purpose.

(3) . . . the owner shall not be entitled to rely on any provision in the agreement excluding or modifying [that] condition . . . unless he proves that before the agreement was made the provision was brought to the notice of the hirer and made clear to him.'

In *Lowe v. Lombank Ltd*, as reported in *The Times* of February 10th, the Court of Appeal allowed the appeal of Mrs Lowe against the dismissal in the County Court of her claim against Lombank Ltd, a hire-purchase finance company, for damages for being supplied with an utterly unroadworthy car. Lombank Ltd relied on clauses in the hire-purchase agreement as follows:

'8. . . . the only warranties [by Lombank Ltd] . . . shall be those implied by the Hire-purchase Acts . . . but subject to the exclusion of warranties by reason of clause 9. . . .

9. . . .

(ii) The hirer acknowledges that he has examined the goods prior to the signing of this agreement and that there are no defects . . . which such examination ought to have revealed and that the goods are of merchantable quality. The hirer further acknowledges and agrees that he has not made known to the owners expressly or by implication the particular purpose for which the goods are required, and that

the goods are reasonably fit for the purpose for which they are required.'

By a delivery receipt on a printed form, Mrs Lowe acknowledged that she had

'read the hire-purchase agreement made between us and fully understood the terms and conditions thereof',

and that she confirmed the 'good condition' of the goods.

Mr Justice Diplock, giving the judgment of the Court, said that in June 1958 a motor dealer offered the car to Mrs Lowe for £200, told her he could get hire-purchase, and assured her that the car was in perfect or almost perfect condition. On that assurance she accepted it. He came to her the following day, when she was busy preparing lunch, and she signed the hire-purchase agreement without reading it and without seeing the car. Later the car was delivered to her and she signed the delivery receipt. The car was in fact utterly unroadworthy and a danger to the occupants, although the defects would not at that time be apparent to a layman.

The County Court judge had found that no provision excluding the implied condition had been brought to Mrs Lowe's notice. Prima facie, therefore if she expressly or by implication made known that she required the car for road transport the statutory condition applied and was manifestly breached. It had been contended on behalf of Lombank Ltd that Mrs Lowe had made her requirement known only to the dealer, not to Lombank Ltd, but the Court rejected this contention. The curiously drafted clause 9 was never brought to her notice and was never made clear to her. The clause was clearly an attempt, said his lordship, which only the size of the print in which it was set out prevented one from calling blatant, to evade the provisions of the Act.

Lombank Ltd had also relied on the delivery receipt as estopping Mrs Lowe from denying that the car was in good condition. To this his lordship said that no reasonable man in the company's position would believe that her representation in the delivery receipt was meant to be acted on; the hire-purchase agreement had already been executed and possession of the car had already passed to the hirer. Moreover, Lombank Ltd had failed to prove that it, in fact, acted on the representation.

Rail Clash Postponed

THE efforts of the National Union of Railwaymen to obtain an interim increase in wages before the Guillebaud report is published have met with a substantial measure of success. They staked all on getting a flat increase before the report, promised at the end of this month, can have the opportunity of recommending the maintenance of existing wage differentials within the industry—for the N.U.R. feared that these differentials will be hallowed by the committee and that the British Transport Commission will not be able to offer substantial rises to skilled

and unskilled workers alike. Of the three unions involved, the N.U.R. is the spokesman of the unskilled operatives.

The other two unions were until the last moment just as reluctant to anticipate the Guillebaud recommendations as the N.U.R. was keen to forestall them. It was on this basic conflict of interest among the unions that deadlock ensued and made it impossible for the T.U.C. to get agreement. In the end the other two railway unions let it be known that they would not block an interim payment and the Government instructed the B.T.C. to make an offer. The result was an interim offer of a 5 per cent increase back-dated to January 11th.

Two points are apparent at this stage. First, the real battle over differentials in rail wages and the long-term wage structure has still to come next month with the Guillebaud recommendations. Second, the Government having willed the end must will the means and stand by the railways' freshly inflated deficit.

How Much Momentum?

ONLY a few months ago everyone would have been happy to have had an investment boom to worry about. The latest Federation of British Industries' inquiry into industrial trends, the seventh of its series, makes it quite clear that the capital goods industries are now definitely having it better, indeed a capital investment boom may soon be here. This latest review, published last week, based on the replies from 724 chairmen and managing directors of companies, shows a noticeable upward trend in anticipated capital investment over the next year. This month's inquiry shows a rise in reported plans for industrial building over the next year for the first time in the series.

The rising tide of capital investment is confirmed by replies to questions about orders received for capital goods. Over all, the trend of output and the booking of new orders continues to rise rather more strongly than four months ago although the trend in export orders still lags behind the home trade.

Labour recruitment is becoming more difficult and it is noticeable that the higher output of industry as a whole has been achieved with rather more emphasis on higher employment than on increased overtime. Stocks of raw materials and the amount of work in progress have continued to rise while a few more firms, 53 per cent in February compared with 50 per cent in October, report capacity working.

The F.B.I. survey has coincided with a most succinct survey of the economy in the post-war period by Professor Paish in the February issue of the *Westminster Bank Review*. He estimates that at the beginning of 1959 the margin of unused capacity had risen to about 6 per cent, but that three-quarters of this is now back in production. He is inclined to think that the impetus which has built up in capital expenditure, continuing consumer outlay on a high scale and a useful increase in exports brings such

a potential strain on the economy that the Chancellor of the Exchequer cannot provide further relaxations in his next Budget.

Aid for Aircraft

A STATEMENT made in the House of Commons this week by the Minister of Aviation outlined the kind of assistance which the newly rationalized aircraft industry might expect from the Government. It was already known that once the industry had reorganized itself to take account of the fact that military orders would be permanently reduced in scope, it could look forward to some practical encouragement in developing civil types of aircraft.

Mr Sandys outlined the following principles which will apply in Government aid. He said that there might be Government contributions towards

the development, tooling and other initial costs of launching a new type of aircraft. Furthermore, the Government might also in certain cases take a share in the financial risk by financing production of a limited number of aircraft beyond those for which firm orders had been received from elsewhere. These two types of assistance might be supported by three other provisions. First, the Government might contribute towards the cost of developing a new type of civil aircraft and of introducing it into regular service. Second, the characteristics of military and civil types of transport aircraft would be harmonized to avoid duplication. Thirdly, the Government would maintain a substantial programme of aeronautical research.

These principles are fairly comprehensive but there is obviously a good deal of negotiation involved before they add up to practical assistance to the industry.

This Is My Life . . .

by An Industrious Accountant

CHAPTER 12

WE are rather worried about the way our ordinary shares are being bought up. Small amounts only are involved, but anonymous purchasers—the nominee companies of two different banks. So the chairman is rather short-tempered and has asked me for some literature on take-over bids.

The shares were low and sluggish for a time, during the company's depressed years, but rumoured prosperity and increased demand has pushed the price up substantially this year. The unknowns can cash in profitably, if they wish.

The banks are confidential, of course, our solicitor carefully explained to the chairman, as a matter of legal privilege; so the latter gentleman decided on the old-fashioned approach. Shaggy white eyebrows bristling, he gave me my riding orders. 'The bank manager plays golf in your fourball, doesn't he? Dine him out one evening, plenty of Scotch, get him talking, what?'

What a hope! I knew our bank manager as able and charming, and deadly accurate with a short chip-shot, but only then did I discover that Scotch, as Eliza Doolittle said, was mother's milk to him. When I tried to discuss nominee accounts, he swung the talk genially to niblick approaches and proved impervious to all hints. The evening was a dead loss—except for the Scotch.

But yesterday I had two visitors, Mr and Mrs

Smith, who had apparently sold out most of their large holding of our shares at rock-bottom price last year. He was tall and soft, with a crumpled tweedy hat; she was small and smart and out for blood.

They'd been cheated, she said. Somebody must have known that we were doing well, that the shares were a good buy, someone with access to the figures, someone who'd swindled the innocent outsiders. She was vicious; he just looked embarrassed.

I explained about speculators, about hunches, about our figures being confidential, about our busy warehouse being an obvious clue; but she wouldn't be appeased. At last she struck.

'It's common talk . . . one of your directors made thousands speculating . . . it's all round town . . . his wife boasts about it . . . driving round in that new Jaguar, in her leopard-skins!' 'The things you see when you haven't got a gun,' her husband interjected grimly.

It was time for decisive action. 'I presume you are prepared to stand over this charge, Mrs Smith,' I said. 'My secretary will type your statement at once and we'll go to the chairman.' I pressed my buzzer. 'Our solicitor must be consulted.'

But her barb had been inserted and she retired skilfully. 'I'll have you remember that shareholders' questions are privileged, young man. I have no more to say.' And off they went.

So up to tell the chairman as tactfully as possible. He looked rather grey—we could both identify her target from her description. 'Kindly keep this matter strictly confidential, Mr Secretary. I will investigate it discreetly.'

No telling how far the story may have got around, of course, so I look forward to an interesting annual general meeting shortly. Particularly if Mrs Smith attends in her present mood. What is it, now?—'the female of the species is more deadly than the male'. I must remind the chairman.

Finance and Commerce

Massey-Ferguson

THIS week's reprint features extracts from the 1959 annual report and accounts of Massey-Ferguson Limited of Toronto, the Canadian tractor company whose name has been so prominent in affairs in the United Kingdom. The 1959 statements reflect, for instance, the acquisition from August 31st, 1959, of the tractor manufacturing facilities of the Standard Motor Co Ltd, of Coventry. Also acquired during the year was the issued capital of the Perkins group of companies.

One thing about companies on the other side of the Atlantic is that they are not afraid to talk about their sales. Massey-Ferguson devote two pages of their brochure to sales statistics. The information relating to 'Net sales by Territories', 'by quarters' and 'by products', form part of the reprint. As will be seen, the territorial sales figures are most comprehensive, total sales being shown for North America (Canada and the U.S.A.); Europe (under eight headings); Australia, New Zealand; Africa (the Union, Algeria, other African countries); Asia; and Latin America, with sub-totals for each grouping. The figures cover four years, and show the percentage each bears to the final sales total.

This year, for the first time, the accounts show turnover taxes in France and Germany as a deduction from sales instead of in 'cost of goods sold' as in previous years; the 1958 comparative figures being adjusted accordingly. The relative figures in the sales statistics are on the same basis. The company states that on this new basis net sales will not be subject to fluctuations with changes in tax rates.

'Net sales by quarters' show the percentage each quarter's sales bears to the year's total. Incidentally, these figures by quarters over four years indicate unmistakably that there is a seasonal trend in the business and proves our contention that 'seasonal influences' are no excuse for not publishing half-yearly or quarterly figures. If the quarters are properly analysed over a period of years, the figures explain themselves.

Under six headings there follows the analysis of 'Net sales by products' - tractors, grain harvesting, and hay harvesting equipment, etc. - with the percentage which each category bears to the total.

Another section of the ancillary information we reproduce is 'Financial Highlights', again covering a four-year period.

Waterlows

THE last annual report of Waterlow & Sons Ltd gives some interesting facts about the production of the *Radio Times* for which the company holds the contract. Based on a circulation of

eight million copies of fifty-six pages, each issue requires 907 tons of paper and ten tons of ink. Approximately a ton of wire is used (316 miles), and two and a quarter tons of rope to tie up 51,286 bundles.

The company, however, has had what Mr Philip A. Waterlow, the chairman, calls a 'disastrous year'. There is a net loss before tax of £295,997 for the year to September 30th last, against the previous profit of £29,015. It was, of course, the year of the June to August printing stoppage in which the board decided the company should not be involved 'which saved it heavy additional losses'.

They had already, in the first half of the year, contracted to produce a volume of work below cost in order to avoid financing idle time, and the entire anticipated loss on the work has been included in the accounts although part will not occur until later in the current year. And with this first-half trading position and in the middle of a factory move, the company was being threatened with penalties for tardy deliveries on export contracts.

Contract Losses

In these circumstances and with the accounts lacking the informative statement the situation demanded, questions were asked at the annual meeting. One point that emerged was that expected losses on uncompleted contracts when originally quoted in 1958 amounted to about £70,000 but now totalled £120,000 owing to increased costs since June 1959. About £35,000 was applicable to the end of September but, as already noted, the whole amount has already been charged. As one shareholder remarked, the current year accounts should in consequence look so much the better.

Of what good was the B.B.C. contract? the chairman, in effect, was asked. Did it show a profit or a loss? Was it holding the company up or dragging it down? Mr Waterlow was not prepared to discuss individual contracts but the B.B.C. contract had been 'very satisfactory' over the past three years, and the revenue from it had not materially varied; it was certainly not dragging the company down.

In his statement with the accounts, Mr Waterlow said the board had engaged a firm of industrial consultants to examine the accounting and cost accounting systems and certain institutional investors in the City are now moving for the appointment of Sir Harold Gillett, Bt., M.C., F.C.A., to the board.

Next Week's Reprint

The accounts of The Lancashire Cotton Corporation will provide the subject for next week's reprint.

Massey-Ferguson Limited

FINANCIAL HIGHLIGHTS

	1959	1958	1957	1956
Sales	\$491,947,763	\$440,109,455	\$412,411,468	\$372,128,979
Turnover taxes in France and Germany	16,404,122	19,899,712	21,653,952	17,004,828
Net sales	\$475,543,641	\$420,209,743	\$390,757,516	\$355,124,151
Net income or (loss) before tax credits	\$ 13,818,393	\$ 9,625,282	\$ (9,783,693)	\$ (909,511)
Tax credits	7,200,000	3,400,000	5,046,352	4,068,842
Net income or (loss)	\$ 21,018,393	\$ 13,025,282	\$ (4,737,341)	\$ 3,159,331
Total dividends on preferred shares	\$ 1,091,587	\$ 1,094,094	\$ 1,101,273	\$ 1,110,048
Total dividends on common shares	\$ 4,654,002	\$ 3,818,441	\$ 3,807,528	\$ 4,759,402
Per common share—				
Net income or (loss) before tax credits	\$ 1.05	\$.89	\$ (1.14)	\$ (.21)
Tax credits .....	.60	.36	.53	.43
Net income or (loss)	\$ 1.65	\$ 1.25	\$ (.61)	\$.22
Dividends per common share	40¢	40¢	40¢	50¢
Net current assets (working capital)	\$173,996,345	\$153,506,389	\$156,417,612	\$170,275,865
Current ratio	2.0	2.8	3.5	3.7
Additions to fixed assets	\$ 68,906,886	\$ 16,300,759	\$ 12,227,842	\$ 14,720,723
Depreciation, and amortization of production tooling	\$ 12,130,775	\$ 8,584,503	\$ 8,367,023	\$ 7,095,946
Long term debt	\$100,766,263	\$ 74,237,838	\$ 78,007,310	\$ 78,504,288
Common share capital and retained earnings	\$167,914,596	\$129,001,850	\$120,636,338	\$130,245,223
Equity per share of common stock	\$ 13.79	\$ 13.39	\$ 12.56	\$ 13.57
Convertible 5 1/2% and 4 1/2% preferred shares outstanding	259,860	242,570	243,646	245,596
Common shares outstanding	12,075,911	9,552,248	9,519,155	9,519,155
Number of shareholders	41,459	34,024	35,398	34,535
Average number of employees	29,955	23,808	21,481	23,232

Massey-Ferguson Limited

STATEMENT OF CONSOLIDATED INCOME

Year ended October 31, 1959 (with comparative figures for 1958)

Sales	\$491,947,763	\$440,109,455
Less French and German turnover taxes (Note 2)	16,404,122	19,899,712
Net sales	\$475,543,641	\$420,209,743
Add:		
Interest and finance charges earned, etc.	3,651,307	2,621,560
Profit on sale of capital assets	203,374	333,897
Deduct:		
Cost of goods sold	\$479,398,322	\$423,165,200
Marketing expenses	\$378,633,650	\$341,262,330
General and administrative expenses	42,072,662	35,270,702
Engineering expenses	12,745,822	10,027,140
Interest on long term debt	8,606,011	7,117,815
Minority interest (dividends on preferred shares of subsidiaries)	3,442,826	3,403,024
Bank interest	226,825	304,630
Exchange adjustments	4,615,688	2,617,990
	1,890,694	1,449,418
Profit before income taxes	\$452,234,178	\$401,453,049
Income taxes	\$ 27,164,144	\$ 21,712,151
Tax credits (Note 4)	13,345,751	12,086,869
Net income for the year	\$21,018,393	\$ 13,025,282

SUPPLEMENTARY INFORMATION

The following amounts were paid during the year ended October 31, 1959 to the directors, executive officers and solicitors of the Parent Company: Fees to directors not holding salaried employment \$50,712; remuneration to executive officers including directors holding salaried employment, and to the Company's solicitors \$803,805.

Depreciation, and amortization of production tooling included above amounted to \$12,130,775 in 1959 and \$8,584,503 in 1958.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Year ended October 31, 1959 (with comparative figures for 1958)

Balance at beginning of year	\$ 93,252,554	\$ 85,139,807
Add:		
Net income for the year	21,018,393	13,025,282
Transfers from capital surplus (Note 2)	1,680,569	
	\$115,951,516	\$ 98,165,089
Deduct:		
Dividends on preferred shares	\$ 1,091,587	\$ 1,094,094
Dividends on common shares (40¢ per share)	4,654,002	3,818,441
Commission and other expenses relating to issue of 5 1/2% preferred shares	918,298	
Balance at end of year	\$ 6,663,887	\$ 4,912,535
	\$109,287,629	\$ 93,252,554

(See accompanying notes to financial statements). — Editor.

October 31, 1959 (with comparative figures at October 31, 1958)

ASSETS		LIABILITIES	
CURRENT:	1959	CURRENT:	1959
Cash	\$ 8,177,126	Bank loans and overdrafts.....	\$ 71,991,529
Receivables (less allowances and unearned interest—Note 3)		Accounts payable and accrued charges.....	79,777,938
Retail notes.....	\$ 30,093,496	Income, sales and other taxes payable.....	15,532,258
Prepaid expenses.....	99,437,011	Unliquidated liabilities.....	1,404,141
Other trade and sundry accounts.....	13,173,290	Advance payments from customers.....	2,247,041
	<u>\$141,698,807</u>	TOTAL CURRENT LIABILITIES.....	<u>\$171,111,200</u>
Inventories, valued at the lower of cost or market		LONG TERM DEBT:	
Raw materials and work in process.....	\$ 73,797,855	Bonds, debentures, notes and loans (Note B).....	\$100,766,263
Finished goods	120,405,435	Less instalments maturing within one year, included with accounts payable and accrued charges.....	3,793,451
	<u>\$194,203,290</u>		<u>\$ 96,982,812</u>
Insurance deposits, prepaid expenses, etc.	\$ 1,028,322	MINORITY INTEREST (Preferred shares of subsidiaries).....	\$ 3,359,945
	<u>\$345,107,545</u>		
TOTAL CURRENT ASSETS	<u>\$ 1,472,182</u>		
INVESTMENT IN ASSOCIATED COMPANIES, AT COST.....		CAPITAL AND RETAINED EARNINGS:	
		Authorized share capital—	
FIXED:		500,000 preferred shares, par value \$100 each	
Land	\$ 4,795,986	20,000,000 common shares without nominal or par value	
Buildings	54,253,485	Outstanding (Notes 5 and 6)—	
Machinery and equipment.....	111,965,726	Cumulative convertible preferred shares	
Production tooling.....	14,106,396	4½% redeemable at \$104.50 (1959—\$9,860 shares; 1958— 242,570 shares)	\$ 986,000
Total fixed assets, at cost.....	<u>\$185,121,593</u>	5½% 1959 series—redeemable at \$105.50 (250,000 shares)	25,000,000
Less accumulated depreciation and amortization.....	67,949,562	Common shares (1959—12,075,911 shares; 1958—9,552,248 shares)	56,840,994
	<u>\$117,172,031</u>	Contributed surplus (Capital surplus in 1958—Note 2).....	1,785,973
OTHER ASSETS AND DEFERRED CHARGES.....	\$ 1,602,795	Retained earnings (Note 7).....	109,287,629
			<u>\$193,900,596</u>
Approved on behalf of the Board:			
W. Eric Phillips, Director			
Albert A. Thornbrough, Director			
	<u>\$465,354,553</u>		<u>\$465,354,553</u>

Approved on behalf of the Board:

W. Eric Phillips, Director

Albert A. Thornbrough, Director

(See accompanying notes to financial statements) — Not reproduced. — Editor.

Massey-Ferguson Limited

NET SALES BY TERRITORIES
(Thousands of dollars)

Territories	1959	% of Total	1958	% of Total	1957	% of Total	1956	% of Total
NORTH AMERICA								
Canada	\$ 55,605	11.7%	\$ 40,320	9.6%	\$ 41,514	10.6%	\$ 44,998	12.7%
United States	162,046	34.1	130,301	31.0	89,460	22.9	97,952	27.5
Total	\$217,651	45.8%	\$170,621	40.6%	\$130,974	33.5%	\$142,950	40.2%
EUROPE								
United Kingdom	\$ 69,305	14.6%	\$ 56,461	13.4%	\$ 49,765	12.7%	\$ 38,517	10.9%
France	63,661	13.3	79,052	18.8	87,674	22.4	68,690	19.3
Scandinavia	18,490	3.9	15,960	3.8	18,504	4.7	16,396	4.6
Germany	15,062	3.2	10,142	2.4	9,606	2.5	7,026	2.0
Yugoslavia	8,348	1.8	6,667	1.6	5,805	1.5	3,328	1.0
Austria	2,103	.4	3,570	.9	2,626	.7	1,100	.3
Italy	1,884	.4	2,234	.5	2,801	.8	1,934	.5
Other European Countries	7,985	1.7	7,209	1.7	6,649	1.7	5,776	1.6
Total	\$186,838	39.3%	\$181,295	43.1%	\$183,430	47.0%	\$142,767	40.2%
AUSTRALIA, NEW ZEALAND, ETC.								
Australia	\$ 27,591	5.8%	\$ 25,636	6.1%	\$ 25,799	6.6%	\$ 27,425	7.7%
New Zealand	1,776	.4	1,901	.5	6,939	1.8	2,650	.7
South Pacific	473	.1	302	.1	276	.1	206	.1
Total	\$ 29,840	6.3%	\$ 27,839	6.7%	\$ 33,014	8.5%	\$ 30,281	8.5%
AFRICA								
Union of South Africa	\$ 7,075	1.5%	\$ 10,417	2.5%	\$ 14,638	3.7%	\$ 11,044	3.1%
Algeria	4,318	.9	3,765	.9	2,635	.7	2,097	.6
Other African Countries	7,044	1.5	5,803	1.4	7,043	1.8	5,901	1.7
Total	\$ 18,437	3.9%	\$ 19,985	4.8%	\$ 24,316	6.2%	\$ 19,042	5.4%
ASIA								
India	\$ 3,291	.7%	\$ 3,084	.7%	\$ 3,534	.9%	\$ 3,082	.9%
Other Asian Countries	11,307	2.3	7,931	1.9	5,643	1.4	6,026	1.7
Total	\$ 14,598	3.0%	\$ 11,015	2.6%	\$ 9,177	2.3%	\$ 9,108	2.6%
LATIN AMERICA	\$ 8,180	1.7%	\$ 9,454	2.2%	\$ 9,846	2.5%	\$ 10,976	3.1%
TOTAL	\$475,544	100.0%	\$420,209	100.0%	\$390,757	100.0%	\$355,124	100.0%

Note: The sales figures appearing in the tables on these pages are shown net of turnover taxes on sales in France and Germany.

NET SALES BY QUARTERS
(Thousands of dollars)

3 MONTHS ENDED	1959	% of Total	1958	% of Total	1957	% of Total	1956	% of Total
JANUARY 31	\$ 82,505	17.3%	\$ 74,500	17.7%	\$ 64,973	16.6%	\$ 60,815	17.1%
APRIL 30	142,765	30.0	124,065	29.6	110,372	28.2	99,271	28.0
JULY 31	137,693	29.0	119,307	28.4	125,621	32.2	107,149	30.2
OCTOBER 31	112,581	23.7	102,337	24.3	89,791	23.0	87,889	24.7
TOTAL	\$475,544	100.0%	\$420,209	100.0%	\$390,757	100.0%	\$355,124	100.0%

NET SALES BY PRODUCTS
(Thousands of dollars)

PRODUCTS	1959	% of Total	1958	% of Total	1957	% of Total	1956	% of Total
TRACTORS	\$215,291	45.3%	\$193,019	45.9%	\$188,449	48.2%	\$157,715	44.4%
GRAIN HARVESTING EQUIPMENT	100,513	21.1	96,367	22.9	88,304	22.6	80,174	22.6
HAY HARVESTING EQUIPMENT	29,545	6.2	27,144	6.5	16,303	4.2	15,516	4.4
OTHER PRODUCTS	56,690	11.9	58,701	14.0	55,812	14.3	61,892	17.4
PARTS	48,921	10.3	44,978	10.7	41,889	10.7	39,827	11.2
DIESEL ENGINES	24,584	5.2						
TOTAL	\$475,544	100.0%	\$420,209	100.0%	\$390,757	100.0%	\$355,124	100.0%

CITY NOTES

THE stock-markets seem to have spent the greater part of this week wondering whether or not their expert discounting of an uneasy railway peace was worth the effort. The tendency now is to weigh up the price of rail peace in terms of inevitable additional transport costs to industry and an increased financial burden on the Exchequer.

A few years back the market may have translated such thoughts into terms of new inflation and rising equity prices. The Government, it is now recognized, however, is unlikely to allow inflation to get an early grip. Bank rate has already been used as an anti-inflation move this year and it could be used again.

Thinking on such lines, coupled with a decided setback on Wall Street, Mr Cobbold's repetition of his previous warning on the dangers of an over-optimistic equity market and a not unnatural tendency to take profits have resulted in generally easier markets.

Banking comment on the pitch of the equity market, however, seems rather to ignore acceptance of the fact that the old yield structure of the stock-market has probably gone for good. London has followed New York and the continental markets on to a yield basis under which equities must be expected to yield less than fixed interest stocks. The growth element in equities has supplanted yield as the prime investment factor.

The crossing of the Consols and equity yield lines last year was not a temporary matter. It was merely one step in a general process of changed investment emphasis. Possibly the reverse gap has been opened a little too widely but it is unlikely to close completely.

RATES AND PRICES

Closing prices, Wednesday, February 17th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate			
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills			
Dec. 11	£3 11s 6.91d%	Jan. 15	£3 15s 7.79d%
Dec. 18	£3 12s 10.50d%	Jan. 22	£4 11s 1.19d%
Dec. 24	£3 13s 8.82d%	Jan. 29	£4 10s 9.18d%
Jan. 1	£3 14s 6.24d%	Feb. 5	£4 10s 10.88d%
Jan. 8	£3 14s 11.06d%	Feb. 12	£4 10s 11.30d%

Money Rates			
Day to day	3-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges			
New York	2.80½-½	Frankfurt	11.69-¼
Montreal	2.66½-½	Milan	1741½-½
Amsterdam	10.57-¼	Oslo	20.03½-½
Brussels	139.79½-80¼	Paris	13.76½-77
Copenhagen	19.35½-½	Zürich	12.15½-½

Gilt-edged			
Consols 2½%	48½	Funding 4% 60-90	93½
Consols 4%	71½	Savings 2½% 64-67	85½
War Loan 3½%	64½	Savings 3% 55-65	92½
Conversion 3½%	64½	Savings 3% 60-70	81½
Conversion 3½% 1969	87½	Savings 3% 65-75	75½
Exchequer 5½% 1966	102½	Treasury 2½%	47½
Funding 3% 66-68	85½	Treasury 3½% 77-80	78½
Funding 3% 59-69	85½	Treasury 3½% 79-81	76½
Funding 3½% 99-04	70½	Victory 4%	95½

Reviews

Electronic Business Machines

Edited by J. H. LEVESON. (Heywood & Co Ltd, London. 45s net.)

'The feeling that every business concern must adopt automation for fear of technical obliteration by competitors has little basis in fact. This quotation from *Electronic Business Machines* indicates the practical, down-to-earth approach of the book as a whole and the readable style of several of its contributors.

Some of these have experience of the use of computers in industry; others are drawn from computer manufacturing firms. Together they have built up a most valuable survey of the decisions to be made by business managers in considering the installation of a computer, the types of work that can be carried

out by computers of various specifications, and the methods of dealing with the practical problems involved in planning, installing and operating a computer service.

Before deciding to install a computer, a good deal of time and money can be spent usefully in studying the existing system of data processing and, if necessary, re-designing it. The authors point out that there are two main approaches to data collection, firstly, to decide what questions will be asked in the foreseeable future and to retain only such information as is needed to answer these questions; secondly, to store all information as it arises as a precautionary measure in case it may be needed in the future. The authors' comment that the latter method, which seems to operate with unspecified objectives, occurs particularly in systems developed and used by accountants. This doubtless reflects the traditional caution in the professional approach to a problem.

The response of the accountant would probably be that in every case he will weigh the cost of obtaining information against the value of that information

to management, but in most cases it is extremely difficult to discern any general theory by which the value of information may be determined. The authors perform a most useful service here in discussing the various factors entering into an assessment of the value of information produced.

With regard to the analysis and re-design of business systems, the book provides an excellent summary of practical routines, with examples of standard methods for charting the flow of work. The chapters on programming, though necessarily generalized, are an extremely good condensation of information which by other means might take several months to acquire.

The accountant will be particularly interested in the chapters dealing with the economics of computers and the impact of electronic methods on auditing practice.

Alban and Lamb's Income Tax as Affecting Local Authorities

Fifth edition, edited by GEORGE H. FOSTER, F.C.A., A.I.M.T.A., and J. D. R. JONES, F.C.A. (Charles Knight & Co Ltd, 11 Bury St, London, EC3. 55s net.)

This book has been regarded as a standard work in public accountancy circles since it was first produced nearly sixty years ago. The fifth edition will thus have a warm welcome from financial officers of public authorities. The book lucidly describes the foundations of income tax practice—the five schedules—and goes on to explain the intricacies of Schedule D computations. The special features of these applying to local authorities and their ancillary undertakings like transport, water, cemeteries and crematoria etc., are well exemplified. Interest liability is fully examined in the light of the background established by the agreed rules between the Inland Revenue and the Institute of Municipal Treasurers and Accountants.

The book is well designed, fully referenced to case and statute and incorporates a sound index. The final impression remains of the continued remarkable clarity and conciseness of a text which succeeds in reducing complex tax legislation into an understandable simplicity.

Reversionary Practice: A Guide to the Practice of Investigating Titles to Reversionary and Life Interest

by J. P. E. F. PETERS, Solicitor of the Supreme Court. (The Solicitors' Law Stationery Society Ltd, London. 27s 6d net.)

The value of this book is out of all proportion to its small size. It is a short practical guide to the investigation of titles to equitable interests, investigations which have to be made when such interests are bought or when they are put forward as security for a loan or a guarantee. The law on the subject was never better stated than by the late Mr Withers, as

the present author modestly acknowledges, but there was room for a more practical guide as to how one is to set about investigating the soundness and the value of an equitable interest. This is appropriately solicitors' work, but of course accountants, especially as auditors to trusts, are often called upon to advise on dealings with equitable interests and this is a book which is very useful for this purpose.

New Shares for Old

The Boston and Maine Stock Modification

by ROBERT L. MASSON (Graduate School of Business Administration, Harvard University \$4.50; Bailey Bros & Swinfen Ltd, Hyde House, West Central Street, London, WC1. 36s net.)

This is a case study of the application of the investment value approach to a recapitalization problem of considerable complexity. The opportunity of conducting the case arose from an amendment in 1948 to the Interstate Commerce Act. The amendment is permissive. The Boston and Maine Railroad was not under necessity, as for example by bankruptcy, to put a new capital structure up for consideration but it decided to do so in the long-term interests of management and stockholders alike. To be acceptable the plan had to be approved both by stockholders and the Interstate Commerce Commission. Complexity arose from the large amount of prior charge capital which had to be considered and from the fact that many stockholders held different classes of stock, thereby having a variety of interests within their own holdings. The book's interest, therefore, for the reader in the United Kingdom and elsewhere is in the negotiations described for dealing with conflicting interests and claims among different classes of prior ranking stocks or shares.

RECENT PUBLICATIONS

THE PRINCIPLES OF EXECUTORSHIP ACCOUNTS, fourth edition, by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A. xii+164 pp. 9×5½. 15s net. H.F.L. (Publishers) Ltd, London.

THE NEW WORLD OF MATHEMATICS, by George A. W. Boehm and the Editors of *Fortune*. 128 pp. 7½×5. 10s 6d net. Faber & Faber, London.

ECONOMIC INTEGRATION: THEORETICAL ASSUMPTIONS AND CONSEQUENCES OF EUROPEAN INTEGRATION, by Rolf F. Sannwald and Jacques Stohler. Translated by Herman F. Karreman, with a Foreword by Albert Coppé. xvi+260 pp. 9×6. 40s net. (U.K. only). Princeton University Press; Oxford University Press, London.

UNDERHILL'S LAW RELATING TO TRUSTS AND TRUSTEES, eleventh edition, by C. Montgomery White and M. M. Wells, Barrister-at-Law. clvii+684 pp. 10×6. 95s net, postage 2s extra. Butterworth & Co, London.

CHARLESWORTH'S MERCANTILE LAW, ninth edition, by Clive M. Schmitthoff, LL.D., and David A. Godwin Sarre, M.A. xlii+355 pp. 9×5½. 21s. Sweet & Maxwell Ltd, London.

HALLMARK: a list of Building Societies in which Deposits are Trustee Investments. September 1959 edition. 112 pp. 8½×5½. Card covers. 7s 6d. Franey & Co Ltd, Burgon Street, London, EC4.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries (and Fees) in the Profession

SIR, - As the principal of a moderate-sized country practice I would like to emphasize the point made by Mr Lingwood (February 13th issue) as to the difficulty we experience in the country by virtue of unqualified competition and advertising.

The following is a copy of an advertisement from our local paper which has appeared for several weeks.

'ACCOUNTANT', experienced taxation specialist, prepares accounts, settles income tax matters. Terms moderate. - Write Box 5035, Gazette Office, Bletchley.'

With regard to the question of adequate fees we are only too anxious to be able to charge adequately, but how on earth is this to be done in view of the competition we experience.

Anybody with the slightest knowledge of preparing a profit and loss account seems to feel that they have a right to advertise to prepare accounts and agree the tax position, and can, of course charge fees which to us are ridiculous. At the same time we have to get sufficient work to keep our staff employed.

Yours faithfully,

Bletchley, Bucks. K. J. FULLER, F.C.A.

Credit Traders. Costs

SIR, - Concerning the recent allowance in respect of provision for future collection costs applicable to credit traders, and the formula agreed with the Board of Inland Revenue (referred to in your issue of December 19th, 1959), in the course of recently negotiating for this allowance, the point has been put to me by the Inspector of Taxes that the item to be included in the direct expenses attributable to 'travelling expenses' cannot be deemed to include any allowance for depreciation, wear and tear or loss upon sale of a motor vehicle. The theoretical point argued by the Inspector is that these items are allowances given after the taxable trading profits have been determined, and are not, therefore, expenses allowable for the purposes of assessing collection costs.

Naturally, from the point of view of common sense and proper accountancy in assessing travelling expenses for this purpose, it is only reasonable that depreciation should be taken into account.

I should welcome any views which readers may care to offer as to what counter arguments I can put against the illogical theories expounded by the local Inspector of Taxes.

Yours faithfully,

Solihull, Warwicks. T. F. WELLINGS.

Office Mechanization

SIR, - It would appear that Mr John Tranter (January 16th issue) has missed the point that aroused Mr F. Barter's unspoken professional comment. If not, then I have, for to my mind the odd thing is that the dog did not bark!

As one who contributes to the installation of mechanized systems, Mr Tranter should surely know that such systems normally provide more information than is available with manual book-keeping, not less, and the inability to provide important data indicated a very odd system indeed.

Details of payments made during the year, and the supplies against which such payments were made, are vital statistics in considering credit-worthiness, and a large firm that cannot produce them as and when required is running a grave risk of ceasing to remain a large firm.

Certainly mechanization and automation are here to stay, nobody disputes it, but unless they provide the necessary data for efficient management they will not, in the long run, contribute to lower costs and working hours. Being progressive is not enough; one must make definite progress!

Yours faithfully,

Madras. R. G. N. PRICE.

This is My Life . . .

SIR, - I would like to write and tell you how much I enjoy reading the 'This is my life . . .' series.

The articles are amusing and I feel they go to the very heart of the major problem of our profession in that they show our shortcomings in dealing with undertakings that have qualified and competent accounting staff.

Yours faithfully,

Windhoek, S.W.A. E. ZWARENSTEIN.

Long Service Award

SIR, - It may be of interest to your readers that a member of my accounts staff has just received a gold watch for twenty-one years' service with my company. The interesting point of this is that he was over 50 years of age when he joined the company and has proved to be one of my most valuable assistants.

Yours faithfully,

Brentford, Middx. E. G. BLACK, F.C.A.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

STATUTES

(8 Eliz. 2)

Chapter 1: Mr Speaker Morrison's Retirement Act, 1959

An Act to settle and secure annuities upon the Right Honourable William Shepherd Morrison, and after his death upon his wife, Catherine Allison Morrison, in consideration of his eminent services.

Price 3d net. December 17th, 1959.

Chapter 2: Post Office and Telegraph (Money) Act, 1959

An Act to provide further money for expenses of the Post Office properly chargeable to capital account; and for purposes connected therewith.

Price 3d net. December 17th, 1959.

Chapter 3: Marshall Scholarships Act, 1959

An Act to increase the number of Marshall scholarships which may be provided in each year.

Price 3d net. December 17th, 1959.

Chapter 4: Expiring Laws Continuance Act, 1959

An Act to continue certain expiring laws.

Price 4d net. December 17th, 1959.

Chapter 5: Atomic Energy Authority Act, 1959

An Act to increase the maximum number of members of the United Kingdom Atomic Energy Authority, and to enable the Authority to include in their pension schemes staff of the National Institute for Research in Nuclear Science.

Price 3d net. December 17th, 1959.

Chapter 6: Commonwealth Scholarships Act, 1959

An Act to make provision for matters arising out of the recommendations of the Commonwealth Education Conference.

Price 4d net. December 17th, 1959.

Chapter 7: Sea Fish Industry Act, 1959

An Act to increase the aggregate amounts of grants made in pursuance of schemes under Sections 1 and 5 of the White Fish and Herring Industries Act, 1953, and Section 3 of the White Fish and Herring Industries Act, 1957, and otherwise to amend the provisions as to schemes under those Acts; to authorize measures for the increase or improvement of marine resources; to make further provision for regulating the catching of sea fish and for licensing fishing boats; and for purposes connected with those matters.

Price 9d net. December 17th, 1959.

Chapter 8: Lord High Commissioner (Church of Scotland) Act, 1959

An Act to increase the allowance payable to Her Majesty's High Commissioner to the General Assembly of the Church of Scotland.

Price 3d net. December 17th, 1959.

Chapter 9: Judicial Pensions Act, 1959

An Act to amend the law with respect to the pensions and other benefits attaching to certain high judicial offices, to regulate the age of retirement from such offices, and to increase certain pensions and other benefits granted to or in respect of persons who have held such offices.

Price 9d net. December 17th, 1959.

STATUTORY INSTRUMENTS

The Tribunals and Inquiries (National Insurance Adjudication) Order, 1959

(S.I. 1959 No. 1267)

This Order brings under the direct supervision of the Council on Tribunals an adjudicator appointed under Section 13 of the National Insurance Act, 1959, and provides for an appeal from such an adjudicator to the High Court or the Court of Session on a point of law.

Price 2d net. August 1st, 1959.

The National Insurance (Modification of Pension Schemes) Regulations, 1959

(S.I. 1959 No. 1902)

These Regulations designate the Chief Registrar of Friendly Societies as the authority to approve the manner in which certain pension schemes may be modified in connection with the passing of the National Insurance Act, 1959. They also lay down a procedure under which, on application by persons interested in the scheme, he may himself make the required modification or may authorize the trustees or managers of the scheme to make it. The schemes in question are all those in relation to which the Treasury have not determined that there is an appropriate Minister or Government Department.

Price 3d net. November 17th, 1959.

The Exchange of Securities (No. 3) Rules, 1959 (S.I. 1959 No. 2164)

These Rules prescribe the procedure with respect to the acceptance of the offer to exchange 2½ per cent Defence Bonds for 5 per cent Defence Bonds (Conversion Issue).

Price 3d net. December 29th, 1959.

The National Insurance (Non-participation – Appeals and References) Regulations, 1959
(S.I. 1959 No. 2119)

These Regulations prescribe the procedure for determination by the Adjudicator appointed under Part II of the National Insurance Act, 1959, of any question whether an employment is to be treated as a non-participating employment for the purposes of that Act or as to the persons in relation to whom or the period for which it is to be so treated. The Regulations include provision for oral hearings and other procedural matters and contain a power for the Adjudicator, on a reference or appeal to him, to review decisions given by himself or the Registrar on questions whether any employment is to be treated as a non-participating employment in relation to any person or the period for which it is to be so treated.

Price 3d net. *December 18th, 1959.*

The Family Allowances and National Insurance (Canada) Order, 1959
(S.I. 1959 No. 2216)

This Order gives effect, in England, Wales and Scotland, to provisions for the reciprocal treatment of migrants in relation to family allowances and unemployment and old age insurance which have been arranged between the United Kingdom and Canada in the Letters set out in the Schedule to the Order, and modifies the Family Allowances Acts, 1945 to 1959, and the National Insurance Acts, 1946 to 1959, in their application to persons affected by those provisions.

Price 4d net. *December 21st, 1959.*

The Bankruptcy Fees (Amendment) Order, 1959
(S.I. 1959 No. 2251 (L. 19))

This Order amends the Bankruptcy Fees Order, 1952.

The fees payable to Official Receivers and officers of the Court for administering an oath on an affidavit and for marking an exhibit are raised from 2s 6d and 5s 6d to 5s and 2s respectively.

The fees payable in respect of the working time and allowances of officers of the Court and Registrars who are required to perform duties away from the Court office are also increased; and minor amendments are made elsewhere for purposes of clarification.

Price 3d net. *January 1st, 1960.*

The Exchange Control (Authorized Dealers) (Amendment) (No. 3) Order, 1959
(S.I. 1959 No. 2252)

This Order amends the lists of banks and other persons authorized under the Exchange Control Act, 1947, to deal in gold and foreign currency.

Price 2d net. *January 1st, 1960.*

The Exchange Control (Authorized Depositaries) (Amendment) (No. 3) Order, 1959
(S.I. 1959 No. 2253)

This Order amends the list of Authorized Depositaries, with whom, under the Exchange Control Act, 1947, certain securities are required to be deposited.

Price 2d net. *January 1st, 1960.*

The Exchange of Securities (No. 4) Rules, 1959
(S.I. 1959 No. 2277)

These Rules prescribe the procedure with respect to the acceptance of the offer to exchange 2 per cent Exchequer Stock, 1960, and 3 per cent Exchequer Stock, 1960, into 5 per cent Conversion Stock, 1971.

Price 4d net. *December 30th, 1959.*

The Plant and Machinery (Rating) Order, 1960
(S.I. 1960 No. 122)

Under Section 24 of the Rating and Valuation Act, 1925 (which extends to the whole of England and Wales), plant and machinery in or on any hereditament (not assessed by reference to the accounts, receipts or profits of the undertaking carried on therein) belonging to any of the classes specified in the Third Schedule to the Act is to be deemed to be part of the hereditament. Otherwise, no account is to be taken of the value of any plant in or on the hereditament. Provision is made for the preparation, from time to time, of detailed statements of the machinery and plant falling within the Third Schedule. This Order makes provision for a new detailed statement.

Price 4d net. *February 8th, 1960.*

The Treasury (Loans to Local Authorities) (Interest) Minute, 1960
(S.I. 1960 No. 135)

This Minute increases the rates of interest chargeable on loans advanced from the Local Loans Fund to local authorities on the security of local rates.

Price 3d net. *January 30th, 1960.*

The Treasury (Loans to Persons other than Local Authorities) (Interest) Minute, 1960
(S.I. 1960 No. 137)

This Minute increases the rates of interest chargeable on loans advanced from the Local Loans Fund otherwise than on the security of local rates.

Price 3d net. *January 30th, 1960.*

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS BOUSFIELD, WAITE & Co, Chartered Accountants, of Prescott Chambers, 28 Prescott Street, Halifax, regret to announce the death of Mr H. BOUSFIELD, F.C.A., the senior partner. The practice will be continued by the remaining partners at the same address and the name of the firm will remain unchanged.

MESSRS J. & A. W. SULLY & Co, Chartered Accountants, of Parliament Mansions, Abbey Orchard Street, London, SW1, announce with deep regret the death on February 5th of their senior partner, Mr ALFRED VICTOR SULLY, M.C., J.P., F.C.A., after forty years' association with the firm. The practice will be carried on by the remaining partners under the same style as formerly.

MESSRS JAMES FRASER & SONS, Chartered Accountants, of 31 Copthall Avenue, London, EC2, regret to announce the death, on February 12th, 1960, of one of their partners, Mr JOHN EDWIN MOORE, F.C.A., after approximately sixty years with the firm. The firm will be carried on as hitherto by the surviving four partners.

MR ALAN GAINSFORD, A.C.A., announces that he has commenced to practise under the style of GAINSFORD, ELLIOTT & Co, at 233 Baker Street, London, W1.

Appointments

Mr A. J. Barsham, B.COM., F.C.A., has been appointed an additional director of Vactric Ltd.

Mr S. R. Hogg, D.S.O., M.C., F.C.A., has been appointed chairman of the reconstituted board of Williams & Williams Ltd, and Mr T. Sarl Williams, F.C.A., is now a vice-president of the company.

Mr A. F. F. Young, O.B.E., T.D., F.C.A., has been appointed chairman of Sharp, Jones & Co Ltd.

Mr A. P. White, M.A., F.C.A., has been appointed a director of Sharp, Jones & Co Ltd.

Mr Geoffrey R. Smith, B.A., F.C.A., has been appointed a director of Bryant & May Ltd.

Sir Richard Yeabsley, C.B.E., F.C.A., has been appointed a director and elected chairman of Spicers Ltd.

Lord Polwarth, T.D., M.A.(CANTAB.), C.A., has been elected deputy governor of the Bank of Scotland.

Mr Robert Guiler, A.C.A., has been appointed Accountant-General of the Supreme Court of Judicature of Northern Ireland.

Mr A. W. Wagstaff, A.C.A., has been appointed secretary of Whessoe Ltd.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'The Quest' is the title of a film which will be shown at a meeting of the Fellowship at 6 p.m. on Tuesday next, February 23rd, in the Oak Hall of the Institute, Moorgate Place, EC2. The showing of the film will be followed by a business session for the annual general meeting of the Fellowship.

DEFERMENT OF NATIONAL SERVICE

Important Notice to Articled Clerks

Last November the Ministry of Labour and National Service amended the regulations governing the deferment of National Service so that all articled clerks (other than former bye-law candidates of the Society) who do not pass the Intermediate examination within four years of the commencement of their articled service, are permitted to complete their service irrespective of the date of completion. This amendment was the subject of an announcement in *The Accountant* of November 14th, 1959, at page 463.

The attention of The Institute of Chartered Accountants in England and Wales has been drawn to two recent cases where articled clerks have received call-up notices on the basis of the previously existing rule which provided for immediate call-up where articles were due to expire after June 30th, 1960, and where the clerk had not passed the Intermediate examination within four years of articled service. As this regulation has been superseded, the Institute intervened on behalf of the two clerks and further deferment has been granted in each case.

The latest regulations, including the above amendment, appear in the May 1960 examinations edition of the Institute's booklet *General Information and Syllabus of Examinations* (pages 36 to 39).

IN PARLIAMENT

Monopolies

Dr JOHNSON asked the President of the Board of Trade whether he is aware that the provisions of Part II of the Restrictive Trade Practices Act, 1956, are such as to encourage, rather than to diminish, the tendency to form monopolies; and if he will take this consideration into account in the study he is making of this part of the Act.

THE PRESIDENT OF THE BOARD OF TRADE (Mr REGINALD MAUDLING): The extent to which the provisions of Part II of the Restrictive Trade Practices Act may encourage the formation of monopolies is a subject upon which opinions appear to differ. I can, however, assure the House that the effect of resale price maintenance on the structure of industry and trade will not be neglected in any studies which are made.

Dr JOHNSON: Is my right hon. friend aware that the obvious way of circumventing the provisions about collective resale price maintenance is to form an interconnected body corporate under the further provisions of Part II of the Act? Will he inquire to what extent this is responsible for various combinations which are being formed in industry, including take-over bids?

Mr MAUDLING: I do not think that that is quite the way things occur, but I will certainly look into the point.

Mr ORAM: As the extent to which monopolies are being increased in this way is an important matter of opinion, would it not be useful to have the opinion of the Monopolies Commission about it? Will the right hon. gentleman consider referring this matter to the Monopolies Commission?

Mr MAUDLING: As I think the House is aware,

I am at the moment studying the operation of this part of the Act. I think that the best thing for us to do at the moment is to continue with that study.

Hansard, Feb. 11th, 1960. Oral Answers. Col. 657.

Surtax

Mr ARBUTHNOT asked the Chancellor of the Exchequer what he estimates would be the cost of limiting surtax so that the combined maximum rate of income tax and surtax together did not exceed 1s in the £ on any part of an income.

Sir E. BOYLE: To reduce the top rates of surtax to 7s 3d, leaving the lower rates below £8,000 unchanged, would cost £12 million in a full year.

Hansard, Feb. 5th, 1960. Written Answers. Col. 173.

Estate Duty: Government Stocks

Mr GRESHAM COOKE asked the Chancellor of the Exchequer whether, with a view to improving the market value of Government stocks, he will instruct the Estate Duty Office to accept in settlement of death duties Government stocks at a value half-way between their issued value and market value at the time of death, where such stocks are standing below their issued value at the time of death.

Mr AMORY: I am afraid not. The right of a holder to surrender stock for the purposes of estate duty is a fundamental condition of a stock determined at the time of issue.

Mr GRESHAM COOKE: Would my right hon. friend think about the example of Victory Bonds, which have been successful in showing some reduction of the National Debt as well as maintaining a reasonable price for Government stock? Might that not be a matter for further consideration?

Mr AMORY: If my memory holds good, I think the right to surrender Victory Bonds was contained in the prospectus at the time of their issue.

Hansard, Feb. 2nd, 1960. Oral Answers. Col. 788.

Building Societies

Mr LIPTON asked the Chancellor of the Exchequer how many building societies have been granted trustee status; and within what range of interest charges to borrowers these societies at present operate.

Mr BARBER: Two hundred societies. The Registrar of Building Societies informs me that the current figures for the range of interest rates are not available, but the rates charged at the time of the individual applications for trustee status varied from 3 per cent to 7½ per cent. Those societies which have entered into an agreement under the House Purchase and Housing Act, 1959, are at present allowed to charge now more than 5½ per cent on advances which may be financed from the Exchequer.

Mr LIPTON: Does the Economic Secretary not think that there is an astonishing variation in interest rates charged by building societies which have been given trustee status? Will he, therefore, continue to exercise

a very watchful eye on the operations of those building societies with trustee status which are in the circumstances charging an exorbitant rate of interest, since so many borrowers from building societies consider that they are having a very tough deal?

Mr BARBER: I am sure that the Registrar will take note of what the hon. gentleman has said. But, of course, the rates which the societies have to offer must vary from society to society and, also, societies vary their lending rates according to the type of property which is offered as security. I think it is reasonable that they should do so.

Hansard, Feb. 11th, 1960. Oral Answers. Col. 656.

CHOOSING A BUILDING SOCIETY

The Building Societies Association has published the third edition of its booklet, *How to choose a building society*. This useful little booklet provides a guide for both investors and home owners, particularly in view of recent events.

In a reference to the history of building societies, attention is drawn to the alarming rate in recent years at which some reconstituted societies have grown and their departure from their normal business in a spirit alien to the traditional motives of building societies. The booklet pertinently remarks that 'If a society is not a member of the Building Societies Association and its deposits are not trustee investments you should ask the reason'.

Copies of the booklet are available free of charge from the Building Societies Association, 14 Park Street, London, W1.

LOCAL AUTHORITY SERVICES

Rising costs are shown in two statistical returns giving details of local government services in respect of police services and fire services for 1958-59 which have been issued jointly by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers.¹

The return of Police Force Statistics gives the general and financial statistics relating to all police forces in England and Wales, with the exception of the Metropolitan and City of London forces. The main part of the return is a statement of police strength of each local authority with statistics showing the expenditure and strength for the year. In the year under review the strength of all county and borough forces was 54,147 compared with 53,000 during the previous year. Total expenditure is shown, together with the net expenditure falling on rates and for comparative purposes this is analysed under various headings and expressed in amounts per 1,000 population. The expense met from rates and grants totalled

¹*Return of Police Force Statistics, 1958-59 and Return of Fire Service Statistics, 1958-59. Price 3s 6d each, post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.*

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£69,703,471 against £64,162,008 in the preceding year, a rise of over £5½ million.

The ninth annual return for all borough and county fire services in England and Wales shows that total expenditure amounted to £23,938,073 compared with £22,493,122 in the previous year. With a full and part-time strength of 21,602 compared with 21,402 the year previously, the comparative expenditures were £12,478,744 and £11,756,712. The amount met from rates was £17,978,574 equivalent to a rate of 7·27d. For the year 1957-58 the rate equivalent was 6·98d.

THE BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

Addressing the members of The Belfast Society of Chartered Accountants recently on the subject of 'Business and private tenancies', Mr Jervis Megran, F.A.I., A.R.I.C.S., referred to the desirability of permanent legislation on business tenancies.

New legislation should embrace most of the recommendations of the Select Committee but in his opinion any new act should incorporate some provisions as to the fixing of fair rents.

Mr Megran also referred to the Town Tenants Act of 1906 which, although little used, gave tenants rights to claim compensation for improvements. He observed that rents of offices and warehouses were two to three times greater than pre-war, some shops being now let at rents four times greater than pre-war.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 6 p.m., at the Institute, Moorgate Place, EC2; 'The system of control of Government finance', by Sir Edmund Compton, K.B.E., C.B., M.A. (Comptroller and Auditor-General). Chairman: Sir Harold Gillett, Bt., M.C., F.C.A. (Vice-president of the Students' Society).

Tuesday. Visit to Ford Motor Works (limited number). *6 p.m.* at the Institute: Debate with commentary on the motion 'That the right way to reform our licensing laws is to abolish them'.

6.15 p.m., at Bedford: Lecture on 'Standard costing', by Mr K. S. Carmichael, A.C.A.

Wednesday, 5.30 p.m., at the Institute: Meeting for newly-qualified members.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'Details of final accounts', by Mr F. R. Porter, F.C.A., A.C.W.A.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on (1) 'The taxation system', by Mr F. R. Porter, F.C.A., A.C.W.A., and (2) 'The ownership and control of a business', by Mr P. W. Medd, Barrister-at-Law.

7 p.m., at Chelmsford: Lecture on 'Tax losses', by Mr H. W. May, B.A., F.C.A.

Saturday. Badminton match *v.* Imperial College.

SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF FEBRUARY 14TH, 1885
A weekly note:

The *Daily Telegraph* recently referred to the fact that whilst during the last fifteen years the revenues of most of the railway companies have enormously increased, the rates of dividends declared have been practically stationary, if they have not even declined. Our contemporary attributes this to the fact that nearly all the companies have continuously been raising new capital for the purpose of branches and extensions which have not been productive, and which entail heavy charges for interest, and thinks it imperative that this expenditure should now cease.

RESIDENTIAL MANAGEMENT COURSE

A one-week residential course on 'Costs, profits and the manager' is to be held at the Sundridge Park Management Centre from March 6th-11th.

The course is designed to examine the means of promoting cost and profit awareness among managers, and practical case studies - conducted on a syndicate basis - will form an important feature of the course. Subjects include: 'The place of the accountant in profit-making', 'The efficient use of capital resources', and 'Profit measurement techniques'. Further details of the course may be obtained from the Director, Sundridge Park Management Centre, Bromley, Kent.

TELEPHONE CREDIT CARDS

The General Post Office recently announced that it is to introduce telephone credit cards throughout the country on March 1st. A subscriber who wishes to use the service will be issued with a card bearing a special number and by quoting this to the operator will be able to make inland or overseas calls from any telephone without payment at the time. The calls will be charged to his home or office telephone number for which there will be no additional charge. A credit card will cost 5s a quarter and the G.P.O. believes that this new service will be welcomed by business men and others who travel about the country and have to make frequent trunk calls.

THE ACCOUNTANT'S DIARIES

In the Whole Life and Endowment Assurance tables given in *The Accountant's Diaries* for 1960 (pocket, pages 136 and 137; foolscap, page 63) the rates of last declared bonus for the Royal Insurance Co and the Liverpool & London & Globe are shown as 38s per cent. We are informed that the rate in each case should be 55s.

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Making Tax History

WHEN discussing the Inland Revenue Report for 1958-59 in our issue of February 6th, we took leave to doubt the assumption, in the Department's extra-statutory concessions, that luncheon vouchers given to employees normally constitute emoluments taxable under Schedule E. The concession echoes a written answer of THE CHANCELLOR OF THE EXCHEQUER appearing in *Hansard* on January 20th, 1959¹, in which he said that the Inland Revenue took the view that the facts in regard to the majority of vouchers in use today were such as to render them taxable. To qualify for the concessional exemption from tax they have to satisfy all of three conditions: (a) they must be non-transferable and available for meals only; (b) when any restriction is placed on their issue they must be issued to lower-paid staff; and (c) the value per employee must not exceed 3s per working day. One would have thought that if a voucher was not transferable it could not be an emolument, any more than can a soldier's rations, and therefore the other restrictions were misconceived.

Even assuming a voucher were transferable, there is by no means any certainty that it would attract tax on its face value. This has now been judicially established (if that were necessary) in *Wilkins v. Rogerson*, briefly noted in our last issue. This case concerned a suit of clothes retailed at £14 15s presented to an employee. The Inland Revenue sought to assess the recipient on the full £14 15s but the Special Commissioners held that liability was confined to the second-hand value, which was agreed at £5; i.e. the money value of the gift.

Perhaps the prudent course for the Inland Revenue to have followed was to leave the matter in the decent obscurity of an unreported decision of the Special Commissioners, where it would not attract much, if any, attention. Instead, the Department appealed to the High Court, where the rejection of their appeal has received nation-wide publicity. Subject to the result of any further appeal, one can expect a spate of generous gifts in kind by benevolent employers. The employer will be able to deduct the full cost as a business expense; the employee will pay tax only on the second-hand value which, as *Wilkins v. Rogerson* shows, may be only a fraction of that cost.

Of course, where the employee is subject to the special 'benefits in kind' provisions, first introduced in 1948 and directed against people earning upwards of £2,000 and directors, different considerations apply. The amount to be assessed under Schedule E is, in general, the cost to the employer of providing the benefit

¹ See *The Accountant*, January 24th, 1959, at page 950.

(Income Tax Act, 1952, Sections 160 and 161).

Again, *Wilkins v. Rogerson* must be distinguished (as, indeed, it was distinguished) from *Nicoll v. Austin* (14 A.T.C. 172). In that case a company wishing, for prestige purposes, to induce a director to continue residing on an expensive estate, paid some of his expenses, such as rates, on his behalf. It was held that these payments constituted taxable emoluments in the director's hands, since they were in discharge of his own debts. If MR ROGERSON had of his own motion bought the suit on credit and his employer had discharged his debt, then probably *Nicoll v. Austin* would have been applied. Where, however, the employer makes arrangements to supply goods to an employee, it is the realizable value of those goods in the employee's hands which attracts tax.

Another notable event in the history of taxation was the decision of the House of Lords on February 18th in *C.I.R. v. Hinchy*, allowing the Crown's appeal, thus reversing the previous decisions.¹

The facts were simple enough. MR ALBERT EDWIN HINCHY, retired Customs and Excise officer, of Princes Avenue, Petts Wood, Kent, filled up his 1952-53 return on April 19th, 1952, and showed in it interest from his Post Office Savings Bank account at £18 6s when in fact the correct figure was £51 5s 9d. The incorrect statement produced no diminution in his tax liability; the Inland Revenue learned the correct amount from other sources and the full £51 was assessed. Then, in 1957, they issued a writ claiming from him £438 14s 6d for penalties for 1952-53, being the aggregate of £20 and treble the total tax chargeable for that year. The writ was issued under Section 25 (3) of the Income Tax Act, 1952, which provides:

'A person who neglects or refuses to deliver . . . a true and correct . . . return which he is required . . . to deliver shall (a) if proceeded against by action in any Court, forfeit the sum of £20 and treble the tax with which he ought to be charged under this Act.'

When the action was tried by MR JUSTICE DIPLOCK he expressed himself with some forthrightness about the inequity of the Inland Revenue claim and held that the only amount they were entitled to was £20 since, as MR

HINCHY had long ago paid the full tax, there was no tax 'which ought to be charged' within the meaning of Section 25 (3), and therefore no amount on which any further penalty could be computed.

The Court of Appeal held that the phrase 'tax which ought to be charged' meant tax on the amount of the understatement of income, and awarded the Crown £62 15s.

THE LORD CHANCELLOR said that the Crown's construction of what is now Section 25 (3) had not, so far as was known, been challenged in the period of over a century since the Income Tax Act, 1842. It was unfortunate that the Court of Appeal did not seem to have appreciated that there had been no assessment on MR HINCHY on the basis of the incorrect return. The words of Section 25 must be given their ordinary meaning, and accordingly the Crown's appeal should be allowed.

LORD RADCLIFFE, concurring, said that the contents of a full and correct return were no measure of the proper assessment of a man's income in the year when he made the return. The relationship between the figures in the return and those in the assessment was so tenuous that his lordship did not find it possible to suppose that the 'tax which he ought to have been charged' could ever have been intended to mean the amount which would escape assessment because of the incorrectness of the return. The basic facts of administration did not admit of any reality to such a conception.

When considering what was a rational construction of Section 25, much depended on what was rational in this setting. Most of the penalty clauses had their origin in the Acts of 1803-06, and at that time it was as 'rational' to hit out blindly and heavily at anyone who was caught, as to maintain savage and indiscriminate punishments under the criminal code until an effective police force had been established.

What was more surprising was that apart from small changes in 1923, Parliament had never done anything to review the wholly unsatisfactory set of penalty sections. A review had been called for both by the Income Tax Codification Committee and in the final report of the most recent Royal Commission, so far without result.

The Inland Revenue announced last Tuesday that they would exercise their statutory power substantially to mitigate the penalties imposed on MR HINCHY.

¹ In the High Court, *The Accountant*, December 13th, 1958, at page 719; 37 A.T.C. 357. In the Court of Appeal, *The Accountant*, May 16th, 1959, at page 596; 38 A.T.C. 197.

The Widening Ownership of Equities

ALTHOUGH reliable data is unfortunately not available, it is clear that the number of individual owners of equity shares in British companies is growing. Facts published by companies whose managements are enlightened enough to appreciate the value of such information, generally show that their shareholders are increasing in number and that average holdings are falling in size. The spectacular expansion in the indirect method of investment through unit trusts, which now have some 600,000 unit holders amongst them, confirms the increasing popularity of equity shares. Possibly, therefore, after allowing for holdings in more than one company, there are at least two million such investors today, perhaps more.

A number of factors account for the increase in United Kingdom equity share investors. These, as a new publication¹, launched at a luncheon attended by THE PRESIDENT OF THE BOARD OF TRADE, M.P.s and City men last Monday, shows, are mostly the results of major changes in our economic and social conditions since the war. The growing desire for independence includes making some personal provision for retirement. Improving standards of education and the development of automation are leading to increases in responsibility, greater earning capacity and a desire to share in the future prosperity of industry. Equity shares are more and more being looked on as a hedge against inflation. And, it should never be overlooked, penal death duties are accelerating the break-up of big shareholdings. These factors are apart from the indirect interest which tens of millions of people have in the investment activities of pension and life insurance funds.

Various means of promoting share ownership and providing facilities to bring in new-comers have been, and are being, developed. Unit trusts, with their attractions of expert management, spread of investment and simplicity, have started savings schemes, of which some are operated in conjunction with employers. Investment trusts, the originators of mutual investment,

are broadening the field by splitting their shares into more easily marketable units and by doing away with share registration fees. Some companies, including such diverse enterprises as Imperial Chemical Industries, Associated Electrical Industries, Courtaulds and Rugby Portland Cement, have launched different types of employee share acquisition schemes. The investment club idea is catching on and, though seemingly slow to get going, a beginning has been made in opening company share shops offering special facilities to employees.

If these and other means of broadening the ownership of equity shares are to be lasting successes, constant note must be taken, however, of three essentials. First, new-comers to this type of investment should know exactly what they are doing, that prices and dividends can go down as well as up and that it is not suitable for short-term needs such as saving up for a car or television. Secondly, there must be greater safeguards against unscrupulous promotions and attempted share-pushing – recent scandals have stimulated the Government to take the preliminary steps to an overhaul of the Companies Act and other protective measures. Thirdly, if the Government is really sincere in wanting to build up a share-owning democracy, it will reduce the cost of such investment by removal or alleviation of fiscal burdens.

On the latter score four recommendations are made by the author of the Wider Share Ownership Committee booklet: stamp duty on all share transactions should be abolished or substantially reduced; management expenses of unit trusts should be chargeable as expenses for tax purposes; tax concessions for savings should be consolidated so that the present permitted maximum of about 25 per cent of income – mainly through reliefs for pension schemes, life assurance and deferred annuities – becomes available for other forms of saving, including share investment; the Income Tax Act, 1952, should be amended to permit the establishment, with similar tax concessions, of the type of company thrift plans run in America – for investment partially in national savings and partially in shares.

¹ *The Growing Popularity of Share Ownership*, by George Copeman, F.R.D. A publication of the Wider Share Ownership Committee, 117 Waterloo Road, London, SE1. Price 2s 6d.

The Value of Competition

RISING incomes are creating greater scope for policies that permit wider freedom of choice in personal and business life. Such policies are not only economically feasible but also politically advantageous when people seem increasingly prepared to abandon the defence of established interests and to welcome the creation of new opportunities.' These sentiments, contained in the preface of the introductory paper¹, opportunely published almost simultaneously with the publication mentioned on the previous page, form the *raison d'être* for a new series of pamphlets on current economic affairs to be published under the auspices of The Institute of Economic Affairs.

In his essay, the author, MR GRAHAM HUTTON, explains how the community's standard of life depends upon 'industrial know-how' and 'horsepower'. The difference between the under-developed countries of the world and those of the West is attributable simply to the differing supplies of capital equipment and the ability of the labour force to utilize it effectively. The author rightly emphasizes that there is no fundamental economic difference between the Soviet Union and the United States; big business and State capitalism are confronted with the same basic economic problems. For both types of economy, the key to progress and higher living standards lies in the rate of capital accumulation or the level of savings. But, whereas the totalitarian State can force its people to forgo consumption in order to achieve the requisite volume of savings, democratic society depends upon the willingness of the public to defer consumption.

The effective utilization of the available capital equipment depends on competition. Big business is characteristic of capital-intensive production, but it need not be synonymous with monopoly. According to MR HUTTON, even the biggest undertakings are kept on their toes by the threat, actual or potential, of competition. The value of competition in ensuring efficiency has been recognized in the U.S.S.R., where firms are urged

to compete with one another in achieving their planned production.

It is therefore appropriate that the theme of another new publication² of The Institute of Economic Affairs should advocate the growth of competition in the field of retail distribution by the abandonment of resale price maintenance (rpm). The author, PROFESSOR B. S. YAMEY, states that rpm affects goods, the expenditure upon which accounts for about one-quarter of total consumer outlays, and he contends that it restricts consumer's choice; retards the pace of development in retail distribution by subsidizing the inefficient high-cost retailer and thereby helps distort the distribution of economic resources. On the assumption that the abolition of rpm were to reduce prices by only 5 per cent, then the aggregate annual saving to consumers would total £180 million – a sum equivalent to £3 10s per head in the community. This is the cost of restricting competition.

In support of his thesis, the author quotes the experience of extensive price competition in the United States, especially the discount houses. He notes, too, the effects of the 1951 Canadian Act which prohibited collective price maintenance. He is clearly disappointed with the outcome of the Lloyd Jacob Committee and the resultant Part II of the Restrictive Trade Practices Act of 1956. Under this Act individual rpm is still permitted and has, in fact, been facilitated. Collective price maintenance, i.e. by several manufacturers working in concert, is prohibited. PROFESSOR YAMEY cites the majority report of the Monopolies Commission in support of his views and suggests that the Government should adopt the Canadian legislation. This permits a manufacturer to recommend fixed price selling to retailers, but gives him no rights to impose his wishes on distributors.

If these two pamphlets are a foretaste of things to come from The Institute of Economic Affairs, then the promised papers on take-over bids, rent control, purchase tax, pensions, capital gains, rating and valuation will be well received.

¹ *All Capitalists Now*, by Graham Hutton. Barrie & Rockliff, 2s 6d.

² *Resale Price Maintenance and Shoppers' Choice*, by B. S. Yamey. Hobart Paper 1. Barrie & Rockliff, 3s 6d.

Estate Accounting at Ground Level

by D. E. BOSTOCK-SMITH, F.C.A.
Internal Auditor, The National Trust

THE wooded hills enclose an estate of fifty farms and several hundred cottages. A lorry is delivering a gate to Heatherbell Farm. The gate is worth at least £4 but under the tenancy agreement the farmer will pay only £2. It was made at the landlord's sawmill and cost approximately £3 10s.

The timber for the gate came from the woodlands, part of a load of huge baulks delivered by tractor-trailer. Lying there beside the tall ganties, these baulks are worth anything from 1s 6d to 4s per cubic foot, depending on the condition and type of wood. How do we ensure that woodlands and sawmill receive their due, stores are fully accounted for, the loss on supplying the gate at half-price falls on the right department and the cash is duly collected from the tenant?

Common sense and compromise have to be enlisted; and in drawing up accounting procedure and controls, and designing forms, it is necessary to have a clear idea in mind of the information which is required and *used*. Many accountants know what it is to produce detailed reports teeming with apparently significant figures, only to see their work filed away after a perfunctory glance.

The open spaces of an estate present a contrast to the concentrated activity inside factory walls – more usually the accountant's province. Controls, for example, cannot be maintained with the same precision, there being no restricted points of entry and exit for stores.

But first the more prosaic work, the routine recording and analysis of expenditure.

Analysing Expenditure

You have to decide what information you want. Do you want the history of each farm and cottage? Are you content to have cottages lumped together in one account? Do you want such accounts to be sub-analysed between, say, labour and materials, or do your circumstances favour an analysis between exterior repairs, interior repairs, rates paid by the landlord, and so on? And do you want a record of expenditure incurred but not yet paid for? Certainly, if you have any self-respect!

Assuming fifty farms and 200 cottages, with five analyses for each, you would require 1,250

columns if you adopted ordinary day-book or cash-book routines; so you have to operate a 'slip' system. Your invoices, *inter alia*, are the posting media. You post direct from the invoice to a maintenance account for each farm, such account containing a total column and no more than five analysis columns. (Elaborate analyses for remote contingencies are always a mistake.) Probably you would not, in fact, have separate accounts for each cottage; they would be either in one account or grouped into several. The need has diminished since the 1957 Rent Act.

While invoices remain unpaid they are, in effect, an unlisted schedule of creditors. On payment they are shifted to another file, no posting being required from the cash-book. It is a simple, economical system.

The nominal ledger comprises many other accounts, of course, but in so far as these others concern us they are dealt with under the following headings.

Woodlands

The accountant is responsible for setting up controls; but there is no credit in setting them up where other kinds of control exist or where they cannot work satisfactorily. A thousand acres of woodland can be extremely valuable, but it is not exactly a store. Not only will there be standing timber, but also stacks of logs, pit-props, fencing stakes and felled trunks waiting to be trimmed and carted away. But not a lock and key in sight! This might lead one to look to accounting methods of stores control, but such methods are curiously dependent on security measures. Store-keepers do not like being held responsible without full control. So something else must prevent timber disappearing wholesale.

Your head forester, for instance. You do not employ him unless he is a responsible person. And he knows the people and the country for miles around. Nor is transport easy; except during the summer the tracks are often deep in mud, and the loads would be heavy. (In this connection it is interesting to note that it is the relatively small Christmas trees that are most liable to disappear. If they are up-rooted and left for collection later someone provides free transport overnight and neglects to leave a forwarding address!) Teams of men are required for the

removal of large timber, necessitating collusion in any unusual practices. Trees make a satisfying noise whether they are moved vertically or horizontally. The immemorial 'grape vine' and 'jungle telegraph' are remarkably efficient in country districts. On a deserted moor you have only to reach for a cigarette and someone offers you a light!

Apart from the head forester, the agent will exercise supervisory control; and if the woodlands are dedicated for Forestry Commission grants there will be further control over the management. Much of the timber will be sold standing, the purchasers entering into agreement to pay at specified stages, and these contracts should be followed up. Woodlands are under much closer observation than the casual hiker is likely to imagine.

So stores accounting for woodlands is not of great importance. But certain refinements in other respects are required. The nominal account for woodlands will have been debited with direct charges from invoices, as already explained, and it will have to be charged with labour. Although woodlands staff are normally a self-contained unit, it is advisable for the men to complete timesheets. Sometimes the men are diverted to other work, so the appropriate department must be debited.

Income will normally be credited via the cash-book, and the woodlands confer other benefits for which provision has to be made. Logs to estate staff either free or at reduced prices require adjusting entries; but more important is the transfer of timber to the sawmill.

Issue notes will take care of these transfers. The head forester prepares the issue notes, which the sawyer initials as acknowledgement of value and quantity. The notes state the type of timber, cubic footage, price per cube and total value. They take only a few minutes to prepare and are valuable in starting the chain of information through all departments. The first entries are: credit woodlands and debit sawmill account. Later, these figures are used in compiling sawmill statistics and stores control.

Sales of logs can be a nuisance. Nobody wants to send out bills for every delivery, so it is advisable to give the carrier a carbon copy-book of delivery tickets-cum-receipts (or separate books) so that cash can be collected on the nail where possible.

Now we see the woodlands operating as a unit. Unless special costing work is being carried out there is no need for elaborate analysis in the

nominal ledger account. The final process before drawing up a woodlands trading account will be to debit depreciation of equipment (quite heavy, as a rule).

Before leaving this subject we should refer back to the gate which was in course of delivery to Heatherbell Farm. Manufactured on the premises, its timber will have come from the woodlands and will therefore be part of the 'issues to sawmill'. In that way, woodlands will have received due credit.

Sawmill

However modest, the sawmill is really a factory. The carpenter's shop is conveniently treated as an extension of the sawmill, the two making one accounting unit. Raw material is derived almost wholly from the woodlands.

Prices give rise to arguments: the sawyer does not agree with the head forester on the value of the intake; he protests that all the good timber has been sold standing, while the sawmill has to handle all the gnarled, twisted, knotty remains. Others complain about the price of the converted timber. How is it arrived at? Is depreciation provided for; and, if so, is it based on historical or replacement cost? (This argument is not confined to accountants.) The equipment is getting old and wasteful - Why should I be charged for that? it may be asked.

Who's going to find the capital for a new band-saw? The accountant can only ensure that the books report the facts; then stand aside while the agent and the sawyer fight it out.

A simple trading account is required. There is no need for voluminous analysis. The annual trading account is none the better for nicely filling a foolscap sheet of paper; (you can always fill up space with scroll-work, or other decorative matter!) What need you know beyond the cost of timber, labour, fuel, repairs and depreciation?

We see the timber being converted into planks, posts and so on. Some will be sold, some issued for property repairs, some taken into the carpenter's shop for making window-frames, doors, sundry joinery and, of course, gates. Sales can be credited via the cash-book when payment is received, or issue notes may be used to give the sawmill an immediate credit, debiting the debtors' account in a personal ledger. It may be convenient to have a carbon copy of the issue note to be used as a delivery note for the customer. Timber issued for property repairs will be the subject of an issue note, the sawmill being credited and the farm or cottage maintenance

account debited. All these entries are made directly from the issue notes, in much the same manner as the posting of invoices described earlier.

Prices of converted timber from the sawmill are usually expressed as so much per foot run, representing anything from 10s to 20s a cubic foot, depending on thickness and other factors. Issue notes will specify the length and type of timber, the property or individual to be charged, the price and the total value. They should be initialed by the clerk of works when his department is affected.

No accounting entry is required in connection with making gates and other joinery until they leave the carpenter's shop (except as stock in hand at the end of the year). The labour, materials and other costs associated with making them will have entered into the total charges against the sawmill. Let us assume that our gate was handed over to the maintenance stores before eventual delivery to the farm. Taking the lowest market price at £4, the sawyer will have made out an issue note to the maintenance stores for this amount so that the sawmill may be credited and the stores debited.

At the end of the year the sawmill account is charged with depreciation and credited with stock on hand; and all is ready for the trading account. Meanwhile, are there any financial controls which may usefully be operated?

A total stores control account as part of the double-entry book-keeping is scarcely feasible, but a sawyer who is prepared to carry out a little figure-work can produce valuable figures of quantities. Consider the following:

LARCH	Cubic feet
Timber in the round at beginning of month	5,000
Add Booked in from woodlands	<u>3,000</u>
	8,000
Less Taken to saw bench	<u>6,000</u>
Balance on hand (In the round)	<u>2,000</u>
Taken to saw bench, as above	6,000
Converted timber produced	<u>4,500</u>
Loss on conversion	<u>1,500</u>
	<u>25 per cent</u>
Converted timber on hand at beginning of month	4,000
Add Produced during the month, as above	<u>4,500</u>
	8,500
Less Issued or sold	<u>7,000</u>
Balance on hand (converted)	<u>1,500</u>

The only information not already documented which is required to prepare the foregoing statement, is the measurement of timber taken to the saw bench and converted.

It may be thought that the 'Loss on conversion' figure is not likely to appeal to the sawyer; but it does help him to justify any complaint he may have as to the adequacy of the machinery; and the continuous record of quantities on hand is a useful check at stock-taking time.

Maintenance Stores

Our hypothetical gate has entered the stores, duly supported by an issue note from the sawmill (*debit* stores account £4, *credit* sawmill account £4). But most of the goods reaching the stores will come from other suppliers, invoices being charged (as part of the double-entry records) to a stores control account in the nominal ledger. This is a straightforward total account – pure textbook: stock at beginning, plus purchases, less issues, equals closing stock. Issues are supported by issue notes prepared by the storekeeper (*debit* farm etc. account, *credit* stores). For example:

'Issued to Green Farm 1 gallon undercoating at 55s = £2 15s od.'

But textbooks do not cover the whole ground. In this kind of business even the cost price is not always easy to determine. Take this tin of paint, for example. It is believed to have come from a consignment on which a special trade discount of 10 per cent was allowed; and so far as the storekeeper is aware (and he is only part-time on this job) a cash discount will also have been taken. Still, he must charge 55s to be on the safe side. In fact, now he comes to think of it, it may have been part of that job lot they bought when a builder went bankrupt. The storekeeper looks more closely and finds that the tin is only half full – so it must have been returned from another job and regarded as too small to book in. That half-gallon is repeated many times and may be throwing out all efforts to balance. He begins to think it hardly worth trying to keep any sort of control!

But it is worth while. First, we must charge the stores account with gross cost, crediting discount account with 'trade' as well as cash, discounts. Substantial returns to stores from jobs (such as slates from re-roofing) can be valued and charged back into stock (crediting the cost of work). Losses arising from breaking up quantities will be offset by gains from reissues such as the

half-gallon of paint. A final difference within 1 per cent of turnover is a possibility, and it proves that the stores are reasonably under control.

Following our gate on its journey to Heatherbell Farm, the effect of an issue note from the stores will be to charge the farm maintenance account (£4) and credit stores. Thus, it goes out of stores at the price of entry, while the sawmill has the benefit of any difference between £4 and the cost of manufacture. In this case, the farmer pays only £2 for the gate, and this will be credited as income from the farm or, if you prefer it, as a deduction from farm maintenance.

Since such contributions may involve substantial sums in the course of a year, it is necessary to ensure that collection is not overlooked.

Charging the Farmer

With many reliable methods to choose from, one can only suggest a routine known to be effective.

The clerk of works sees all issue notes from stores and sawmill. He marks each one 'N/C' (no charge), '½C' or 'Charge'. Labour time-sheets – or, more conveniently, the wages summaries – are examined by him and similarly coded, while invoices for goods delivered direct to the job receive the same treatment.

It has already been indicated that the maintenance accounts in the nominal ledger will have analysis columns. An extra column can be provided on the other side of the total and headed 'Charge'. It is simply a memorandum column in which to note how much of any issue note or labour should be charged to the tenant. The price can be loaded to cover overheads if thought fit. In the case of our gate, there would be an entry of £2 under 'Charge', against the item of £4 in the total column. In due course the column is totalled, the invoice number being noted to show that the tenant has received a demand.

Accountants recoil from the idea of a memorandum account for debts; but here we are up against the uncertainties of land and property, the remnants of tradition, and a good deal of human nature. These points are worth enlarging on as basic to estate accounting and management.

Liability for repairs depends, of course, on the agreement; but it is frequently a question of making a division between, say, structural and interior repairs. So when a defect in one causes a defect in the other there is room for argument. It is not like selling packets of tea. Similarly, repairs to hedges and ditches may follow the felling of trees which belong to the landlord. From time immemorial tenants have argued

with their landlords about such matters; and when you study old prints of 'rent audits' and you see two people in the corner arguing across a table laden with sovereigns there is little doubt as to the nature of the discussion. They are haggling over the half-yearly account for repairs! Consequently, allowances are the order of the day rather than the exception, and they sometimes make nonsense of the original debt.

The accountant can help by seeing that the attempt to allocate liability is made *at the time the work is done*, as indicated above. Contemporaneous assessments made by competent officials are always useful in this kind of transaction. Experience shows that fewer allowances are made by this means than where the whole analysis is left to be argued between the agent and the tenant at the half-yearly rent audit. Farmers are notoriously hard bargainers!

Total Accounts

The system here outlined is based on individual maintenance accounts for each farm and cottage (or group of cottages). Consequently there is no clear indication of total maintenance expenditure until the periodical balancing.

It is recommended that a total account be maintained for this section. All the stores issues, sawmill issues and labour charges are posted to this account in total under 'Farms', or 'Cottages' as appropriate. By making the credits to sawmill and stores under the same groupings, duplication of postings can be largely avoided and wages may also be summarized in groups. Only in the case of the few invoices posted direct to maintenance is there full duplication. (Most invoices are for stores, sawmill, woodlands, or general expenses, for which no total account need be kept.)

The effect is twofold. It provides a sure basis for tracing differences at balancing dates, and it enables budgets for maintenance to be compared with actual current expenditure without waiting for elaborate accounts.

Conclusion

Land agents differ in their opinions quite as widely as accountants; and they differ in the kinds of information they need in order to carry out their work. In designing accounting procedure human nature and the special problems of the land itself need to be kept constantly in mind. This article covers those aspects of accounts most liable to variable conditions. Rent collection and such-like are more conventional and not subject to particularly dramatic methods of treatment.

Sales Forecasting and Production Control

by A. BATTERSBY, B.Sc., F.R.I.C., F.S.S.

FORECASTING is used in practically every facet of a company's business, although many forecasts are not recognized as such. For example, an engineer who says that a boiler will not burst in service is making a forecast of its performance. Why do we not include this type of statement in the common idea of a forecast? I suggest that it is because it expresses what is, to all intents and purposes, a practical certainty. The sort of thing which we think of in connection with the word 'forecast' is something which contains a fairly large element of uncertainty or error. This suggestion is the basis for the first main point of this paper, which is that a forecast is a statement about the future *which is wrong*.

The second important point is that no forecast is of any interest in itself, except as an intellectual exercise. In industrial transactions, the *action* which is taken as a result of a forecast is the important thing.

By acknowledging the existence of errors and making the action suitable to them as well as to the forecast itself, we begin the evolution of a control system; this is dealt with as the third main point in this paper. (I have used sales forecasting to illustrate the arguments in this paper, but the methods described can be applied in many other activities.) If we leave aside religious and supernatural experiences, we can say that no one can foretell the future with absolute accuracy. A forecast is a projection into the future of experience from the past; this experience may be either factual (e.g. a record of past sales) or intuitive (e.g. the sales manager's knowledge of his customers). The best forecast will be made when the greatest possible amount of information of both types is used. It rarely is in practice because the forecast has to be produced in a reasonably short time with a limited staff. This means that we must ignore some of the information and the error is thereby increased.

Because a forecast has proved to be incorrect, there is a tendency for its originator to feel ashamed of the error and for the recipient to be scornful of its inaccuracy. In fact, the fault lies not with the forecaster but rather with the system, which is only equipped to deal with an absolutely correct forecast: this cannot be achieved except by a rare fluke.

Systems which do allow for errors are in existence – holding a stock of material or of money is an example – but their operation is very imperfectly understood and has only recently been the subject of close study. Systems of this type will be discussed later.

Methods of Forecasting

The methods used for forecasting may be classified under two main headings – synthetic and analytical.

The sales manager who makes his forecast by considering what each of the individual customers is likely to buy and adding up the answers is making the *synthetic* type of forecast. If, however, he draws a graph of total sales in the recent past and extends this graph into the future, this would be *analytical* forecasting.

It is interesting to note that one can generally forecast the actions of a group with more confidence than one can predict the actions of an individual within that group. Suppose, for example, that we sell 'chocolic acid'¹ to eight customers. Each customer buys $3\frac{1}{2}$ tons a week on the average, but in any one week he may buy as little as 1 ton or as much as 6 tons. We expect the total weekly demand to be $8 \times 3\frac{1}{2}$ tons, i.e. 28 tons on the average with a range from 8 tons to 48 tons. These forecasts were obtained *synthetically*; few people would quarrel with the predicted average, but many would point out that the predicted range is too wide – it is hardly likely that all eight customers would order only 1 ton each in any one week.

This is where *analysis* can help. The wide range of 8 to 48 is known with absolute certainty, but we can also say that the range is *likely* to be from 18.2 tons to 37.8 tons: this prediction is no longer absolutely certain but will only be wrong about five times out of every hundred. This may be demonstrated by using eight dice to represent the eight customers. Each will be quite unpredictable in its behaviour for a single throw, but in the long run it will tend to show an average of $3\frac{1}{2}$. We can also say that eight ones are not likely to turn up together – in fact, they will only do so once in more than a million throws. By rejecting other unlikely combinations (such as seven ones and a two) we arrive at the forecast limits of 18.2 and 37.8; the range has been halved with only a small sacrifice of the confidence which we feel in our prediction.

This theoretical analysis was tested in practice. 'Sales of chocolic acid' for one hundred consecutive months were found by throwing eight dice a hundred times and seeing how many times their total lay outside the predicted limits. The results are shown in Figure 1. The forecast falls outside the limits four times; this agrees well enough with the five which we expected because '95 per cent confidence' was used as a working rule. The average sales come to 27.8 tons instead of 28 tons per month as forecast. You might reasonably argue at this point that all this is useless because our customers do not decide how much to order by throwing dice. The strange

¹ A chemical which has yet to be discovered – its salts would, of course, be chocolates.

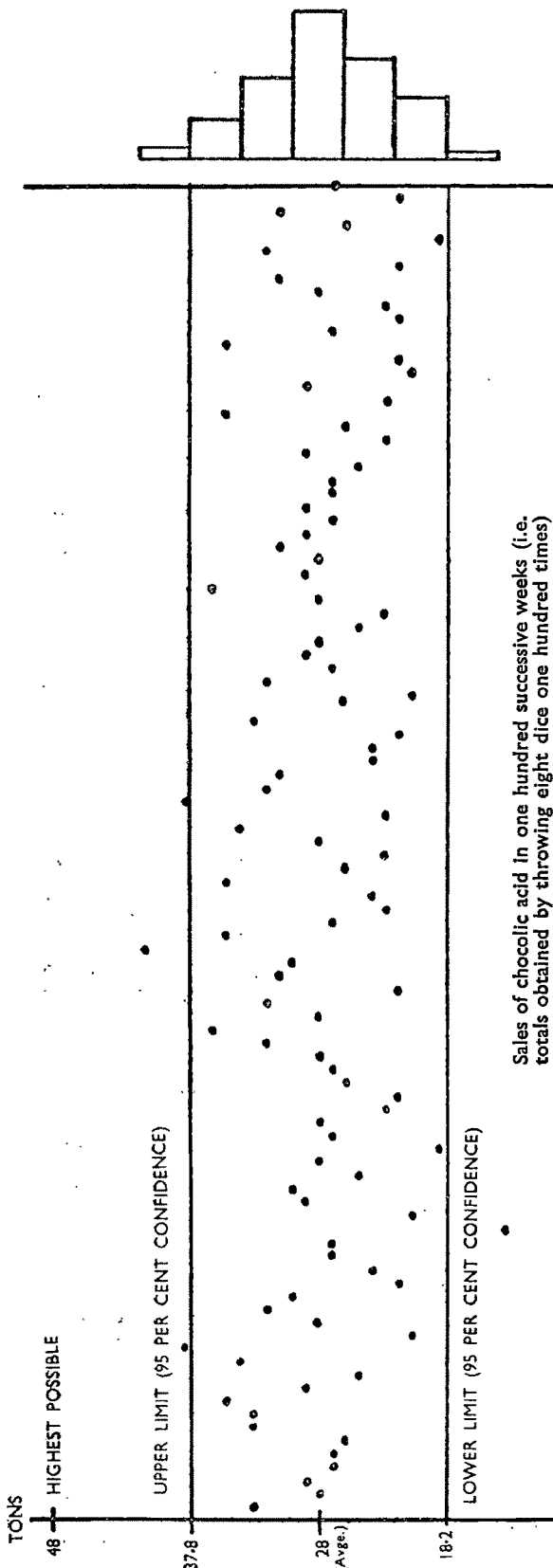


Figure 1

thing is that sales figures sometimes behave as if the customers *did* place orders in this way.

This is demonstrated in Figure 2, which is a sales chart for a heavy chemical on which are plotted a hundred consecutive weekly sales figures. Five lie outside the limits, exactly as we should expect. Admittedly, the limits were fitted afterwards instead of beforehand, but we can often say that the uncertainty stays constant even though the average sales may go up or down. The limits in Figure 2 are 14.0 tons on either side of the average sales, which were 38.4 tons a week. These figures apply to the years 1955 and 1956: sales in 1957 rose to 44.7 tons a week, but the limits hardly widened at all — they were 14.9 tons above and below the average.

Figures 1 and 2 only divide the dots which represent individual sales into three groups — those above, between and below the limits. If we divide them into seven groups and show the total number of spots in each group as a rectangular area at the right-hand end of the chart, we get the two bell-shaped outlines which can be compared in Figures 1 and 2. These outlines resemble each other very closely, and this resemblance again shows that sales of the heavy chemical behave in much the same way as the random totals of several dice.

We have found that sales of other products behave in the same general way. Generally speaking, products which are sold to large numbers of customers show this type of pattern, but more specialized products do not.

These, then, are the two principal methods of forecasting. In practice, one finds that the best forecasts are made by combining the two methods. The sales manager may say: 'Generally speaking, I expect sales to go on much as before (analytical), except that Fiddle & Fake are going out of business (synthetic). On the other hand, the market as a whole may become rather more lively (analytical) and Fooles' tell me that they expect to be doubling their requirements (synthetic).'

One advantage of the analytical method is that it enables the errors to be estimated. This is not the case with the synthetic method, because even if we put upper and lower limits to each customer's requirements, we cannot add up these upper and lower limits because they may not all be fulfilled at the same time.

This forecast of the error should really be considered as a part of the forecast itself and, as mentioned above, the action to be taken should depend upon *both* figures.

The Forecast as Part of a System

The second point mentioned in the introduction is that the forecast is only important when taken in conjunction with the action which it causes. In other words, the forecast is part of a control system, which in its simplest form may be shown as:



Figure 3

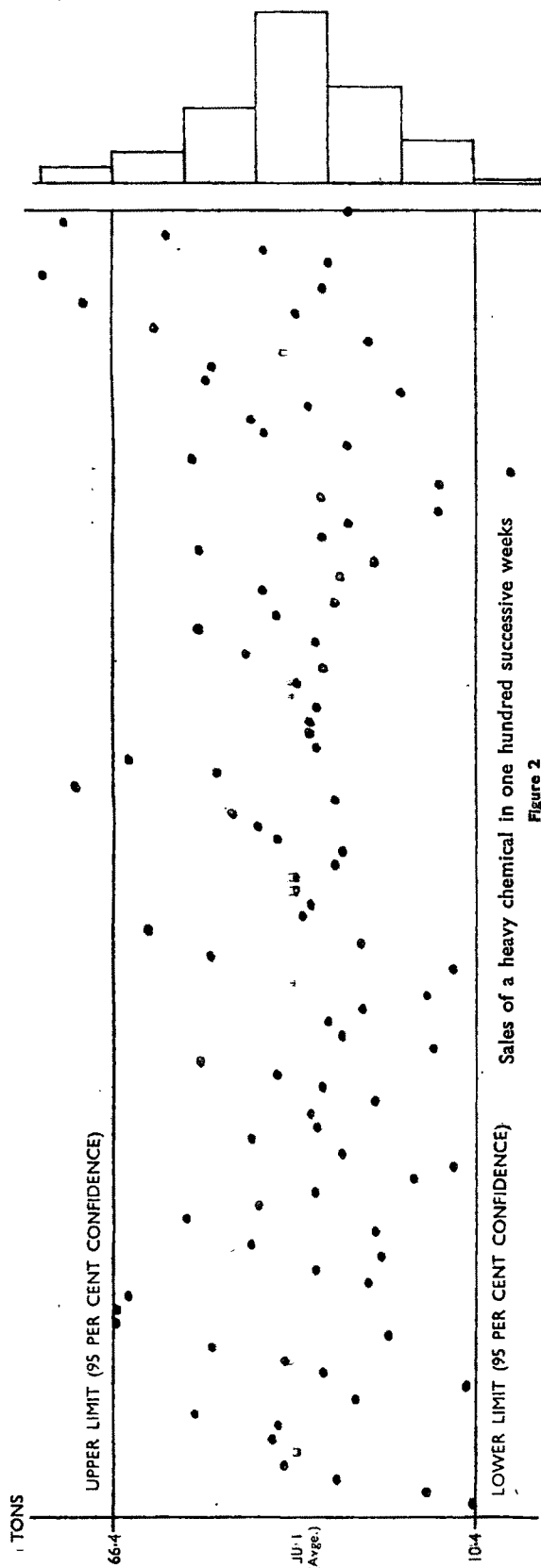


Figure 2

(The arrow in Fig. 3, as in all subsequent diagrams of this type means 'affects' and also means that there is some delay: the word 'forecast' is implied by the arrow and will be dropped.)

Very simple systems of this type are rare, but an example is provided by the generation and distribution of electricity. The electricity authority calculates a demand curve from past experience and sees that generators are ready to be brought in to meet peak loads. The system is extended a little and now includes buying, thus:

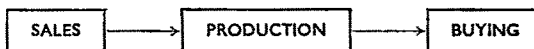


Figure 4

The buying orders are placed on the basis of the production forecast, which in turn is based on the sales forecast. Each forecast is limited by the one which follows it - the sales forecast must be within the limits of productive capacity, and we can only produce if there is enough raw material. Buying can therefore affect sales and this state of affairs is shown below:

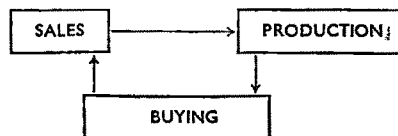


Figure 5

Someone has to start the chain - usually the sales department. Information will flow around the circle and eventually settle down to a level which is equal to the lowest restriction. A typical process would be:

Sales: 'We could sell 180 tons of chocolic acid this year.'

Production: 'The plant is capable of making 200 tons a year: we approve the sales forecast.'

Buying: 'We can only buy enough raw material to make 150 tons of chocolic acid.'

Sales: 'The sales forecast is amended to 150 tons.'

From this point onwards the forecast will remain steady at 150 tons until more information is available.

In practice, our control systems are much more complicated than this. The following is an extension of Figure 5 and shows how one part of a control system may be linked to another.

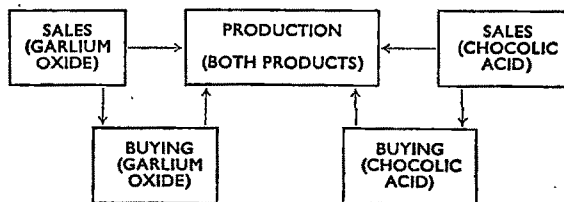


Figure 6

Sales: 'We can sell 50 tons of garlium oxide¹ a year.'

Production: 'We only have capacity for 40 tons.'

¹ Garlium oxide is another unknown compound. Any chemist would know that it combines with chocolic acid to produce garlic chocolate.

Buying: 'The supply of raw material is practically unlimited.'

Sales: 'Sales forecast for garlium oxide: 40 tons.'

Production: 'Garlium oxide and chocolic acid are made on the same plant. The reduction in the chocolic acid forecast has now freed enough plant to make the extra 10 tons.'

Sales: 'Revised sales forecast for garlium oxide: 50 tons.'

Even this is not the end of the process – the forecast sales for chocolic acid and garlium oxide have become stabilized, but the reduction in the original chocolic acid forecast may affect other circuits:

Production: 'There is still some spare capacity on the plant – we could make more Jekaldehyde if sales and buying agree' – and so on.

These interlinked circuits form a complicated network of communications within the company. A new or revised forecast is a 'disturbance' or 'signal' which can cause other disturbances throughout the entire system. The process is rather like throwing a stone into a pond – the effect is not confined to the point where the stone enters the water, but spreads throughout the pond as ripples. The ripples gradually die away as they get further from the source of the disturbance.

We are left with a compromise between the nice, tidy, isolated system shown in Figure 5 and the sprawling mass of interlinked circuits just mentioned. The former is too simple to bear much resemblance to the real situation, and the latter is too complicated to handle. Such organizational problems are combined with studies of the nervous systems of animals and the design of servo-mechanisms in the new science called 'cybernetics'.

The Error-controlled System

This final section deals with the third main point referred to in the introduction. It begins with a discussion of a control system, then shows how forecasting (both of averages and errors) affects the system when it is introduced.

The error-controlled system shown in Figures 7 and 8 occurs frequently both in its natural and artificial forms. These two figures show how the general 'shape' of the system remains the same in two very different applications. (They are, I hope, self-explanatory: remember that an arrow means 'affects' and does not indicate a direction of flow.)

First look at the system shown in Figure 8: this is a control system for the central heating of a house. As heat is lost through the walls, the temperature falls. The temperature is measured and a part of the control system compares it with the setting on the thermostat, say 65 degrees Fahrenheit. If the temperature is above 65 degrees, the boiler is turned down, and vice versa.

One of the difficulties about designing this type of system is the *delay*. Heating up a building is a slow process, and after the boiler has started, the house

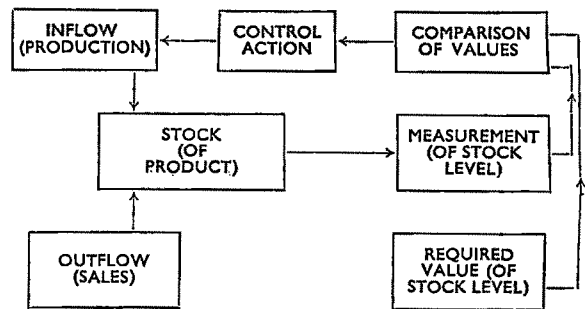


Figure 7. – Production Control

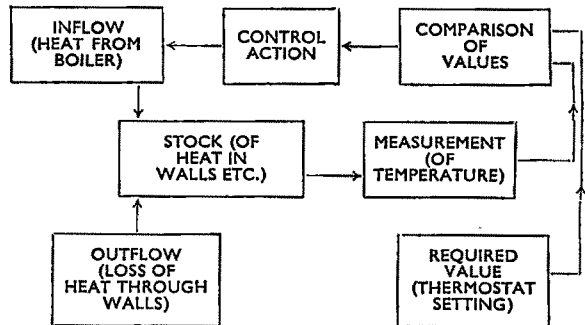


Figure 8. – Central Heating

will go on getting cooler before the full effect of the boiler has been felt. The temperature will tend to rise and fall regularly instead of remaining steady. In a badly-designed system, this fluctuation may get quite out of hand, so that the house becomes an igloo and then a Turkish bath, while the controller desperately tries to catch up with itself.

A stock of product can, and often does, behave in the same way. Stock is built up to a high level so that production has to be stopped; a heavy sales demand may then use up most of the stock before production can be built up again. By the time maximum production is available the sales may have settled down to their normal level, and the excess stock begins to build up again.

Instrument engineers have many ingenious ways of dealing with these symptoms of delay. For central heating, one solution is to put a controller *outside* the house. As frost begins to form outside, the external controller turns up the boiler. The frost causes heat to leak away from the walls more quickly, but the boiler is already giving out more heat. The outside controller has *forecast* a fall in the 'stock of heat' and has thereby averted it. In doing so, it has *stabilized* the inside temperature, just as a good sales forecast will help to stabilize the stock and help production to run smoothly. Such a forecast is indicated in Figure 9 by the heavy arrow which shows sales as directly affecting production. (The other heavy arrow will be explained later.)

The analogy with the central heating system has been pursued at some length, because it is in fact a very close one. In fact, there are many points of resemblance between the analogue computers which

can be used to study the behaviour of stock systems and the control instruments of the 'central heating' type.

Suppose that a careless engineer connected the outside thermometer the wrong way round. The behaviour of the temperature will depend on the relative strengths of the inside and outside controllers. The boiler may go out and stay out, or it may stay on, or we may get the widely fluctuating conditions which we were trying to avoid. Similarly, if a fall in sales is predicted but the sales actually rise, the stock level will become unstable and may do so in any of the same three ways.

The analogy begins to break down at this point. The central heating system is complete in itself, but, as was pointed out earlier, the production control system is only part of a complex organization. Any instability will set up disturbances in neighbouring systems, which will usually tend to restore order. Besides, the system itself contains sensible human beings, who can adjust themselves and who are not likely to let the situation get completely out of hand. One can hardly imagine a human production controller calling for chocolate when he was already overstocked with it: if he did, an outside influence (the factory manager most probably) would begin to stabilize the system by gently correcting the production controller or sending him on a long holiday.

The effect of this sort of control by interconnected systems is called 'multi-stability' for obvious reasons – even so, it is still better to have the individual systems as stable as possible. In plain language, if the production controller says, 'Oh, well, it will all sort itself out in the end', he will probably be right – but one can hardly expect the factory manager to enjoy the sorting-out process if it calls for his personal and frequent intervention.

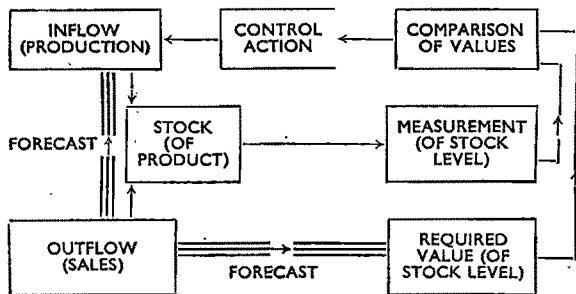


Figure 9. – Production Control with Forecasting

Forecasting the Required Value

In Figures 7, 8 and 9, the stock comes between the inflow and outflow of heat or of a product. The outflow varies up and down around the average value, as may be seen on the sales chart (Figure 2). We can predict the behaviour of the group of sales, by saying that they will cluster about the average and are not likely to be more than 14 tons above or below it. The individual weekly sales are almost unpredictable within these limits. The purpose of the stock is to isolate the production from these week-to-week

variations, so that we can produce at a steady rate. Obviously the amount of stock needed to do this must be related in some way to the range of the limits.

Similarly, a 'level' road has a steady average height, but the level path of the passengers is only made possible by the springs which isolate them from the bumps and potholes in the road surface. The springs and the stocks have the same function – to protect the passengers or the production from small random disturbances; this is why we talk about 'buffer' stocks.

Any engineer will confirm that just putting any old spring into a car is not good enough; the passengers may be isolated from the potholes but only by having the car pitch and roll like a boat in a rough sea. The natures of both the road and the car must be studied in order that the springs shall be suitably designed.

So it is with buffer stocks. They should be big enough to keep production steady by absorbing random variations in sales, but not so big that they tie up capital which could be more usefully applied elsewhere. A suitable stock level can be forecast by studying how sales have varied in the past rather than what their average value was. For example, the stock of the heavy chemical already mentioned for 1959 could be forecast: the forecast would be connected in some way with the 14-ton limits, and we can say for the sake of argument that the forecast stock level was 140 tons. This would be a '95 per cent confidence' stock – we should expect it to absorb all the random variations of sales in 95 weeks out of every 100. To put it another way, we should run the risk of being out of stock in 5 weeks out of every 100. The 'post-mortem' for 1959 shows that this stock would have been only 9 tons too low; this is a negligible difference, so the forecast stock level would have worked very well.

Conclusion

All the principles mentioned in this paper are being applied in practice; they can usually be relied on to bring about reductions in stock of at least 20 per cent, and perhaps much more.

The man who budgets his household expenses on an intelligent forecast and who keeps a careful comparison of his expected and actual expenditures, can keep a much lower average balance in his current account than the man who keeps no proper records and pays each bill as it turns up. The current account represents our working stock of money, and working stocks can be reduced by exactly the same tactics. The capital released can be transferred to our 'deposit account' of productive investment, giving greater earning power all round.

All this, then, is based on one first step – the frank admission that no forecaster is infallible. This, coupled with the recognition of stocks as part of a definite mechanism which calls for control, can do much to help you free unproductive investments for better use elsewhere.

Weekly Notes

The Association's Examination Results

THEKE were 1,654 candidates for the December 1959 examinations of The Association of Certified and Corporate Accountants, and the results, now announced, show that 639 were successful.

In Section I of the Final there were 556 candidates of whom 176 (32 per cent) passed, the First Place being awarded to Mr R. H. Staley, of Swansea. The Second Place was awarded to Miss M. Patterson, of Manchester, and the Third Place to Mr S. M. O'Reilly, of Dublin. In Section II, a total of 367 candidates sat, of whom 168 (46 per cent) were successful. The First Place and Prize was awarded to Mr H. Kalmre, of Birmingham; the Second Place to Mr C. V. Griffith, of Leeds; and the Third Place to Mr J. R. W. Berry, of Welling. There were 618 candidates for the Intermediate examination of whom 234 (38 per cent) passed, the First Place being won by Mr W. Walker, of Bedford.

In the Preliminary examination, 61 candidates (54 per cent) out of a total of 113 were successful.

The names of the successful candidates in Sections I and II of the Final, together with a full summary of the results, appear elsewhere in this issue.

Pilkington on the Professions

THE Royal Commission on doctors' remuneration, under the chairmanship of Sir Harry Pilkington, has now issued its report.¹ Its finding are, of course, of immediate concern to the medical profession but they are of significance, too, for other professions. This is the third commission on doctors' pay since 1946. The latest report recommends an increase of about 23 per cent on the Danckwerts award. A larger increase is recommended for consultants at their maximum level and a much larger increase for junior hospital staff. Dentists in general practice are not recommended for any increase.

The Pilkington Commission seems to have based its findings both on the rise in the cost of living and on comparative earnings in other professions. It does not accept the B.M.A.'s view that the Government is bound by the Spens recommendations to review doctors' remuneration periodically and make awards in exact compensation for declines in the value of money. It has opted in favour of periodic reviews based on the earnings of other professions. Professor Jewkes has dissented from the majority's findings, being against a substantial back-dating of the award and in favour of a larger increase.

If the Pilkington recommendations are accepted the doctors will become dependent for the general level of their remuneration, like the higher Civil

Service, on the level of earnings of other professions and of executives in senior industrial positions. The trouble with this principle is that the more professions use it the larger becomes the average and the smaller the number of salaries on which it is based. The Commission carried out an investigation into the earnings in other professions. The results are interesting but the sampling techniques used for the other professions were somewhat less thorough than those for the doctors. The contrasts can best be illustrated by listing what a man in each profession who was 30 in 1955 might expect to obtain if he worked full time to the age of 65. The figures are given below:

PROFESSIONAL EARNING EXPECTATIONS: AGE 30 TO 65

Profession	AGE 30 TO 65	Total earnings
		£
Medical		
General medical practitioners	79,000
Consultants	117,000
Senior hospital medical officers	73,000
General medical service	76,000
Hospital doctors	100,000
All N.H.S. doctors	84,000
Dental		
General dental practitioners	79,000
General dental service	78,000
Others		
Accountants	71,000
Actuaries	105,000
Barristers	92,000
Advocates	72,000
Solicitors (England and Wales)	88,000
Solicitors (Scotland)	67,000
Architects	54,000
Surveyors	63,000
Engineers	59,000
University teachers	63,000
Graduates in industry	84,000

The F.B.I. and the Budget

THE Federation of British Industries has published a booklet presenting its views expressed to the Chancellor of the Exchequer in relation to the 1960 Budget and Finance Bill.² The booklet is divided into two parts, representing memoranda submitted in January and in February.

Part I deals with broad questions of fiscal policy. It expresses the view that no extraordinary fiscal measures either of stimulation or restriction are appropriate; inflation is neither remote nor imminent. None the less the Budget should include tax reliefs to increase the country's resources, make their use more efficient, and make the public revenue buoyant. Part II calls for the merging of the present initial allowances into investment allowances, a depreciation allowance for commercial buildings, and a more realistic assessment of scrap value for the purpose of fixing wear and tear rates. The Federation also supports the adoption of the current year basis of

¹ Cmnd. 939. H.M.S.O. Price 15s.

² *The Budget, 1960*, 2s 6d. F.B.I., 21 Tothill Street, SW1.

assessment as far as it is possible, and the Royal Commission recommendation that Schedule E expense allowance should be liberalized. It calls for an extension of the exemption for overseas trade corporations and for the removal of certain anomalies in the field of double tax relief. The booklet attacks Section 468 of the Income Tax Act, 1952 (removal of companies abroad) and suggests amendments. It ends by renewing the plea for the withdrawal, or drastic amendment, of the estate duty provisions in the Finance Act, 1940, in relation to controlled companies.

Hinchy Decision 'Disturbing'

IN a letter to *The Daily Telegraph* this week, Mr Geoffrey Stevens, M.P., D.C.A., chairman of the Income Tax Payer's Society describes the result of the *Hinchy* case (which we discuss in a leading article in this issue) as 'profoundly disturbing'. 'It seems quite clear', he comments, 'that no such savage penalty provisions would be accepted by Parliament today'.

Mr Stevens states that he has written to the Chancellor of the Exchequer asking that the review of the penalty provisions of the taxing statutes should be given the highest priority and that pending any decisions arising from the review, the Revenue should be advised that the *Hinchy* case 'is not to be used as an excuse for stepping up demands in the future in those cases to which the existing penalty sections may apply'.

It was stated on Tuesday by the Revenue that if judgment was given for the amount claimed, the Board would exercise its statutory power to substantially mitigate the penalty.

Pension Funds and Commission

WHERE an approved superannuation fund receives underwriting commissions these are chargeable to income tax, the exemption to approved funds not extending to income of this kind. However, the Inland Revenue have announced that they take the view that an approved fund should be in no worse position as regards tax by reason of a direction under Section 379 (2) of the Income Tax Act, 1952, that annuities paid by the fund to United Kingdom residents shall be taxed under Schedule E, instead of having standard rate tax deducted at the source in the normal way. Consequently relief will be allowed to an approved fund against its underwriting commissions up to the amount of the normal annual payments made to pensioners resident in the United Kingdom (*The Income Tax Payer*, February 1960).

Pensions and Estate Duty

PENSION schemes for employees frequently contain a provision empowering the employer, in the event of 'unforeseen circumstances', to discontinue the scheme or suspend or amend it from time to time 'without prejudice, however, to the pension benefits secured by contributions already paid'. Under the original rules of the Alfred Herbert Ltd Pension and Life Assurance Scheme a lump sum was payable to a member's estate on his death while in the company's service. In 1955 the company purported to alter the scheme by giving members power to nominate dependants to whom the lump sum would be payable and by providing that in default of nomination the lump sum would be paid to the widow, and only in the absence of a widow would



At Buckingham Palace on Tuesday

MR ALAN S. MACIVER, M.C., B.A., Secretary of The Institute of Chartered Accountants in England and Wales, outside Buckingham Palace last Tuesday, with Mrs MacIver and their daughter Mrs J. G. Owen, after attending the investiture held by the Duke of Edinburgh on behalf of the Queen, to receive the C.B.E.

the lump sum go to the member's estate. This was to save estate duty on members' estates.

On a summons to determine whether the amendment was valid, Mr Justice Cross held that the provision referred to did not enable the company to change the beneficial interests under the scheme, however much this was thought to be in the interests of the members (*The Times*, February 18th).

This is My Life . . .

by An Industrious Accountant

CHAPTER 13

THE blackest day in the history of the office - we found our junior cashier was embezzling.

Actually, it all happened very simply. Strolling down to late lunch at the club, I overtook our junior auditor who reminded me that he hadn't yet got the usual bank certificates at the year's end for account balances and interest accrued. So into the bank together we went, there and then, to collect them.

The bank cashier had them ready and waiting, but the staff holiday fund certificate was included by accident. I was just handing it back, as the fund is under staff management, when our hawk-eyed auditor interposed: 'Isn't that balance very small? Surely the lodgements must have been piling up since last summer?'

He was right; it *was* small. Every Friday, the staff have a holiday fund collection - nearly all of them contribute - and the total is lodged by their joint treasurers, the junior cashier and the assistant transport manager. So we had a non-committal glance at the statement sheets; the weekly lodgements were horribly meagre.

The bank clerk, chatting away brightly, suddenly supplied a clue. 'Your transport bloke hasn't been in for some time now . . . how's he keeping? Now that he's gone to live Northside, I never see him about.'

We said nothing, the auditor and I. We looked at each other and in a sort of telepathic flash, each knew what the other was thinking. In silent accord we turned back to the office and I thought the February sunshine was the bleakest I'd ever known.

The fund records shrieked the story. Last week's contribution was £124 exactly; the bank statement read £24; and the lodgement docket said clearly £124 - but the hundred was written on the line above, centrally, in the junior cashier's unmistakable rolling script, over the purple date stamp instead of

Banks as Investment Managers

LLOYDS Bank have announced that they are prepared to act as general investment advisers to the public. It may be that a minimum level of only £2,000 will be put on portfolios but the average level would have to be higher. The charge for the service will be 4s per cent. The scheme will be operated through the branches of the bank and also through the trustee offices.

under it. The previous dockets repeated the pattern.

Just then he came in, hefty and hearty, and the shock of just seeing us there hit him like a bullet. The gasp, the face paling suddenly so that the freckles stood out clearly, the twitching mouth - all told the story. He sat down limply and admitted everything.

Our transport man, going home in the opposite direction now, had left him to make the lodgements alone. It was so simple. Yes, it was all gone, about £900. No, he didn't know where. Week-ends in London, taxis, dances, presents for his girl friend.

. . . the money just melted away. Yes, the cash float was fiddled too. Those two IOUs were forged and that wad of tenners had tissue paper in the middle.

He pleaded desperately for his last hope. A £50 double due on the 3.30 today. . . . If we could only wait. . . . I could feel the auditor swallowing as he refused.

The rest of the afternoon passed like a bad dream. The office was a blur of whispers and hurt or angry eyes, friendship and prestige and trust all betrayed.

. . . the managing director, his impassive mask slipping for once, paced his room jerkily. 'His father and grandfather worked here before him. Surely someone must have noticed his behaviour. . . .'

. . . his sister, assistant matron in the local hospital, coming in to beg for a chance. 'He's only a boy . . . the family name. . . .' Nothing about her own possibly wrecked career, poor kid.

. . . the auditor, subconsciously expecting congratulations on his acumen, suddenly realizing the human tragedy that was unfolding, the other side of the picture. I sent him back quickly to his office - to regain his perspective in its professional atmosphere.

. . . the culprit, hunched forward in his chair, hands twitching, forehead beaded. Like an old picture at home of Kipling's dying Boer, 'his carcass not complaining but his eyes inquiring why'.

. . . myself, sickest at heart of them all - shouldn't I have talked to him, taken an interest earlier? How far is the secretary responsible?

* * * * *

The bitter postscript: the double came off that afternoon, more than enough to pay the deficit. Too late to save him from disaster.

Finance and Commerce

Struggle For Cotton

IN his annual statement, Mr R. M. Lee, chairman of The Lancashire Cotton Corporation Ltd, from whose accounts we take this week's reprint, gives a vivid impression of the struggle for existence in the cotton industry. He tells of buyers who withhold orders for long periods for speculative reasons (while producers are compelled to operate for only three days a week) and who still expect to obtain deliveries quickly whenever the time seems propitious for the placing of large orders. He refers to the 'unexpectedly large number of spindles and looms which have been registered for scrapping under the Cotton Industry Act, 1959', as a 'clear indication of the measure of the problem which has arisen'.

'In all,' says Mr Lee, 'about one-half of the mule equivalent spindles and 40 per cent of the looms in the country have been or are to be scrapped,' and he comments that the success of the redundancy scheme is naturally heartening to all those remaining in the industry as it will undoubtedly create a much healthier state of trade. He has no doubt that the industry's remaining productive capacity will be able to cater adequately for the requirements of the market, once the transitional difficulties have been overcome.

The Corporation itself had not received any compensation by the end of its financial year and compensation has therefore not come into the accounts. Mr Lee says the Corporation expects to receive some £700,000, whilst contributions payable over the next seven to ten years are expected to amount to about the same total sum.

Diversification

At the annual meeting on February 18th, Mr Lee told shareholders that the order book was now much higher than for many years and that sales had continued at a very satisfactory level. The Corporation, he said, owned some of the best mills in Lancashire, but even so, large sums would have to be spent on maintenance and improvement. A start had already been made. Despite the closure of many mills there is still a shortage of operatives and on this problem there must be co-operation from the trade unions on questions of shift working.

Meanwhile the Lancashire Cotton Corporation is still aiming at a measure of diversification. Interests in synthetic and man-made fibres are being extended and beyond the textile industry the Corporation now has interests in the building materials and electrical trades.

By careful examination of proposals put to them, the directors intend to pursue this search for diversification. Mr Lee said that in the past year a large number of projects had been examined, but many had proved undesirable. One addition during the

year was J. Walton (Electrical) Ltd, wholesalers and factors of electrical equipment.

Company Adventure

THE recent publication of the report and accounts of Kamra Investments Ltd offers an opportunity of showing what adventures a company can have in these days of 'shells' and to illustrate the essential nature of the legal entity incorporated under the Companies Act.

This company came into existence as Kamra Tin Dredging in 1927 to dredge for tin in Thailand. In 1953, it was put into voluntary liquidation. The liquidator closed down the business, sold the assets and paid off the creditors. In September 1957, an offer for the shares was made by Standard Industrial Trust Ltd acting as an agent, and the greater part of the capital changed hands. In the November of that year, by an order of the High Court, all proceedings in the winding-up were stayed. The stock exchange quotation was suspended and then restored in March 1958 when a statement for information as Kamra Investments Ltd was published.

Since then, other interests have been acquired; a builders' merchants; a company specializing in the manufacture of drum and keg-making machinery; an electro-mechanical engineering and instrument making business.

Now there is a move for the acquisition of the shares of Standard Industrial Trust Ltd and for a change of name to Standard Industrial Group Ltd. Should this course be adopted, says the chairman, Mr A. F. de Breyne, in his statement, 'our financial standing and field of activity will be materially broadened and a sound foundation laid for a long-term development programme', though, he might have added, far removed from dredging for tin in Thailand.

Standard Trust, it may be noted, is a member of the Issuing Houses Association in company with such names as Rothschilds, Barings, Schröders, Lazards and Morgan Grenfell.

Unusual

'EXPENDITURE to be specifically stated' has an unusual look in the consolidated profit and loss account of Stimpson-Perkins Ltd, the leather manufacturers and merchants. It is not at all unlikely that many shareholders see depreciation of fixed assets, directors' emoluments, etc., in accounts without quite realizing that these are items which, according to the Companies Act, must be specifically stated, but as far as we can recall this is the only company which heads the items in this manner.

Trading profit to September 30th, 1959, was up very substantially from £57,601 to £118,933, partly

THE LANCASHIRE COTTON CORPORATION LIMITED & SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AS AT 31st OCTOBER, 1959

Comparative Figures 31st October, 1958	Authorised	Issued	Comparative Figures 31st October, 1958	Fixed Assets:	£	£	£
8,105,039	Share Capital and Stocks:	£	£	Land, Buildings, Property, Plant, Machinery, etc.			
12,013	Ordinary Shares of £1 each	144,961	12,013	At Cost or Revaluation, less Sales and other Receipts	12,854,563		
8,093,026	5% Non-Cumulative Preference Stock	8,093,026	8,093,026	Less: Provision for Depreciation	3,437,404		
	Ordinary Stock		8,105,039	(See Note 1)			9,417,159
	Capital Reserves:			Current Assets:			
147,742	General	147,742		Stocks on Hand: As taken by the Corporation's Officials and Valued by the Directors..	6,161,163		6,041,955
358,598	3½% Debenture Redemption Fund	444,453		Sundry Debtors: Including Amounts paid in advance ..	1,944,440		2,405,108
50,917	Excess of Net Assets of Subsidiaries on acquisition over cost of Shares acquired (See Note 4) ..	64,310		Investments:	2,297,499		2,021,326
357,257	Revenue Reserves:	656,505		Quoted (Market Value £2,565,120)..	62,291		62,291
1,250,000	Process and Stock Reserve			Unquoted at Cost ..	1,167		1,167
5,050,000	Replacement of Fixed Assets Reserve			Trade, at cost, less amounts written ..	437,385		437,385
7,400,000	General Reserve ..			£439,040 Lancashire Cotton Corporation Ltd 3½% Debenture Stock ..	2,532,169		2,532,169
1,025,822	Profit and Loss Account	1,532,170		Short Term Loans with Local Authorities ..	5,708,500		5,708,500
14,725,822	Future Income Tax	24,082,714		Tax Reserve Certificates ..	913,725		913,725
23,388,118	Debenture Stock:	428,135		Call at Bankers ..	1,323,819		1,323,819
1,002,362	3½% First Mortgage Debenture Stock (repayable 1st April, 1976) ..	1,399,906		Current and Deposit Accounts in U.K.A. ..	267,383		267,383
	Add: Interest accrued thereon to date (Gross) ..	4,083		U.S.A. Dollars at cost ..	1,591,202		1,591,202
1,668,780	Current Liabilities and Provisions:	1,403,989			19,182,659		19,182,659
671,010	Sundry Creditors and Accrued Charges	958,605		For Notes relating to this Balance Sheet see page 255.			
2,148,417	Provision for Taxation	1,06,085		Signed on behalf of the Board,			
582,031	Provision for Proposed Dividends (Net)	619,990		R. M. LEE, Chairman			
3,401,458		2,684,680		J. B. WHITEHEAD, Managing Director.			
£29,460,718		£28,599,818		ALEX. NAPIER, Director and Secretary.			£28,599,818

For Notes relating to this Balance Sheet see page 255.

Signed on behalf of the Board,
R. M. LEE, *Chairman.*
J. B. WHITEHEAD, *Managing Director.*
ALEX. NAPIER, *Director and Secretary.*

Dr.	CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st OCTOBER, 1959		Cr.
	Comparative Figures 31st October, 1958		
£	£	£	£
To Trustee's and Debenture Registrar's Fees	787	By Group Trading Profit after Providing for Administration Expenses and Depreciation of £78,548 against Subsidiary Companies'	1,679,976
" Auditors' Fees	2,940	" Profits	92,422
" Directors' Fees	4,750	" Income from Investments (Gross)	320,790
" Directors' Salaries and Emoluments in respect of Management Services	35,369	" Interest (Gross)	2,068
" First Mortgage Debenture Interest Year to Date (Gross)	57,985	" Rents Receivable in respect of Property, etc. (less Upkeep Expenses)	621
" Provision for Taxation: Income Tax (including 1960/61)	1,140,000	" Transfer Fees, etc.	..
" Provision for Taxation: Profits Tax	348,300		
" Balance—Profit for Year carried down	1,639,790		
	<u>£3,229,921</u>		<u>£2,095,877</u>
To Debenture Redemption Sinking Fund Account	31,435	By Balance—Profit for Year brought down	1,272,723
" Transfer to Replacement of Fixed Assets Reserve	400,000	" Taxation provisions no longer required	225,000
" Transfer to General Reserve	237,675	" Balance—Brought forward from 1958	1,025,822
" Interim Dividend of 5% (Net) on Ordinary Stock—paid August, 1959			
" Proposed Final Dividends for the year to 31st October, 1959:—			
Dividend on Preference Stock (Net)	345		
Final Dividend on Ordinary Stock (Net) (subject to confirmation)	581,686		
" Balance carried to Balance Sheet:			
The Lancashire Cotton Corporation Ltd	878,327		
Retained by Subsidiary Companies	147,495		
	<u>1,071,170</u>		

a reflection of the abnormal world-wide rise, which started early in the year, in hide and skin prices due to an increasing demand everywhere for leather.

Sir Leonard Dyer, the chairman, explains to shareholders that these increases in raw material prices have automatically created paper profits. Many of the company's purchasing contracts are on a three-month shipment basis from origin and hence the finished leather is not ready for sale until some five or six months after agreeing the price of purchase. The directors have tried to isolate these paper profits by creating a stock contingencies reserve (£16,000) to buffer the consequent losses which will occur when prices fall.

Six Months' Grace

The Council of the London Stock Exchange is tightening up on its rules concerning the date when member firms must present their annual balance sheets. Last November the Council directed attention to Rule 79a which requires that balance sheets should be prepared and presented within six months of the date to which they are made up. Emphasizing that great importance is attached to strict compliance with the terms of this rule, the Council have

decided, subject to confirmation on March 7th, that in future all member firms shall inform the Council as soon as their balance sheets have been presented to them for signature. The rule has been amended to that effect and it is proposed to make the amendment applicable to balance sheets made up to March 25th, 1960, or after. Members have been advised to inform their accountants of the change.

The background to the amendment is a vast amount of bookwork that the 1959 stock exchange boom has entailed. While firms with fully mechanized systems have been able to keep abreast with the work, there are many others still wrestling with the agreement of accounts dating back a good many weeks.

To these firms the current easing of the business tempo comes as a considerable relief. Six months' grace, however, should provide breathing space enough for compliance with a rule which, in the ordinary course of events, would not appear to be particularly exacting.

Next Week's Reprint

The accounts of Bass, Ratcliff & Gretton Limited will provide the subject for next week's reprint.

THE LANCASHIRE COTTON CORPORATION LIMITED

NOTES TO THE BALANCE SHEETS

NOTE 1

Group	L.C.C. Ltd.									L.C.C. Ltd.	Group
1958	1959									1958	1959
£	£									£	£
		Fixed Assets:									
		Land, Buildings, Property, Plant and Machinery, etc.:									
		Valuation at 31st October, 1935	..	..	..	..	..	..	..	3,216,580	
		Subsequent purchases at Cost	..	..	..	..	..	..	..	9,828,866	
										13,045,446	
										1,856,580	
		Less: Sales and other receipts and net amount written off Fixed Assets	..	..	..			
10,989,059	10,989,059									11,188,866	11,188,866
1,564,114		Add: Fixed Assets of Subsidiary Companies at cost or Valuation less Sales	..	..	..					1,665,697	
12,553,173	10,989,059									11,188,866	12,854,563
		Deduct: Provision for Depreciation:									
		The Corporation:									
		To 31st October, 1958	..	..	..	..	..	..	£2,636,602		
		Less: Allocated to Fixed Assets Sold	..	..	..	..	..	..	177,902		
2,636,602	2,636,602										
										2,458,700	2,458,700
										978,704	
905,468		Subsidiary Companies	..	..	..	..	..	..			3,437,404
£9,011,103	£8,352,457									£8,730,166	£9,417,159

NOTE 2

£300,000	£298,000	Commitments Outstanding in respect of Capital Expenditure	£430,000	£434,800
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NOTE 3

£23,167	£23,067	Contingent liability in respect of Uncalled Capital on Investments	£23,082	£23,167
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NOTE 4

Excess of Net Assets of Subsidiaries on Acquisition over Cost of Shares acquired:

189,561	Balance as 31st October, 1958	..	..	..	..	..	..	50,917
31,376	Add: Adjustments arising on the purchase of Subsidiaries	..	..	..	..	..	..	4,112
220,937								55,029
170,020	Add: Adjustments arising on the liquidation of Subsidiary Companies following the transfer of the Fixed Assets to the Parent Company (Dowry and Willow Bank Mills)	..	..					9,281
(Deduct)								
£50,917	Balance as 31st October, 1959	..	..	..	..	..	..	£64,310

CITY NOTES

THE mood in the markets is now one of consolidation. While news from industry continues to be encouraging, the fact undoubtedly is that the good news now being received is just what the markets have been so earnestly discounting. The investment view is therefore being taken beyond current events and the most immediate forward event is the Budget.

From the various 'estimates' already made it seems clear that the Government is preparing for a record peacetime Budget and the market has inevitably interpreted these signs into the view that although current fiscal year revenue is running well ahead of the level anticipated by the Chancellor last April, he will have little to give away in the shape of taxation relief.

A Budget of marginal tax changes is unlikely to inspire the stock-markets to make any fresh advance, although in some quarters it is held that if the Chancellor is looking for marginal moves he may take more kindly to the repeated suggestions for a reduction in transfer stamp duty or even its abolition.

The £2 per cent stamp duty, it is held, is or.e, if not the major, handicap to share ownership - and yet stamp duty at the present rate did not prevent the stock-markets from enjoying an unprecedented volume of business during 1959.

Meanwhile the stock-markets are a great deal quieter than they were, although despite a widely expressed view that equity prices may go lower before recovery sets in, there is a reasonable degree of resistance to any marked set-back. Brokers admit, however, that it is not easy to place lines of shares with institutional investors.

RATES AND PRICES

Closing prices, Wednesday, February 24th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½ %

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Dec. 18	£3 12s 10.50d%	Jan. 22	£4 11s 1.19d%
Dec. 24	£3 13s 8.82d%	Jan. 29	£4 10s 9.18d%
Jan. 1	£3 14s 6.24d%	Feb. 5	£4 10s 10.88d%
Jan. 8	£3 14s 11.06d%	Feb. 12	£4 10s 11.30d%
Jan. 15	£3 15s 7.79d%	Feb. 19	£4 10s 10.65d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 ½-¾	Frankfurt	11.68 ½-69 ½
Montreal	2.66 ½-¾	Milan	1741 ½-¾
Amsterdam	10.56 ½-57	Oslo	20.03 ½-¾
Brussels	139.79 ½-80 ½	Paris	13.76 ½-¾
Copenhagen	19.34 ½-35 ½	Zürich	12.16 ½-¾

Gilt-edged

Consols 2½%	48	Funding 4%	60-90	92½
Consols 4%	71	Savings 2½%	64-67	84½
War Loan 3½%	63½	Savings 3%	55-65	91½
Conversion 3½%	62xd	Savings 3%	60-70	81xd
Conversion 3½% 1969	86½xd	Savings 3%	65-75	74½
Exchequer 5½% 1966	101½xd	Treasury 2½%		46xd
Funding 3%	66-68	Treasury 3½%	77-80	77½
Funding 3%	59-69	Treasury 3½%	79-81	76½
Funding 3½%	99-04	Victory 4%		95½

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries (and Fees) in the Profession

SIR, - The contents of the recent report of the Royal Commission on the salaries of members of the medical profession must, I feel, have been noted with interest by many accountants besides myself.

This prompts me to inquire whether there is any possibility of a Commission being appointed to report upon the salaries of members of our profession. If not, I would suggest that the Institute would be rendering an urgent and essential service to its

members by making a survey of their salaries and publicizing the results, thereby helping to dispel the widespread delusion of the public as to the financial rewards of the accountant 'G.P.' or specialist.

Yours faithfully,
UNDER A BUSH.

SIR, - The advertisement reproduced by Mr Fuller last week (February 20th issue) is identical in wording to one which has appeared in a series of Surrey local papers for many months. However, is this a really serious form of competition? The advertiser's need to roam so far afield over such a period suggests that this method fails to attract sufficient work to keep him fully occupied; and, of the work so obtained, the majority would probably be unremunerative to a qualified man.

A worth-while client usually appreciates and seeks out a qualified man and is not deterred by a higher scale of fees if he gets better value for his money. It is the duty of practitioners, not the Institute, to

instil the knowledge of what a qualification means; they should not hesitate to charge adequate fees for their services, and should lose no opportunity to assure their clients of the services they obtain.

Too many accountants are afraid to put their fees up to economic levels, but they, of all professional men, probably have most difficulty in fixing their charges because of the different types of work performed and variety of clients served, for undoubtedly a client's means or trading results often influence charges. Over fifty years ago, in the London Oil Storage petty cash case, Mr Hasluck, when asked whether his fees varied and whether he got as much as he could, replied, to laughter, 'No, I get as much as they will give me'. Although in this case the jury were directed to ignore the question of remuneration, far too many cases for negligence have disclosed totally inadequate fees.

The current ruling (reported under 'The Accounting World' in the same issue) of the Superior Court against the Californian State Board of Accountancy who considered Mr Hanlin's charge of £16,000 fraudulently excessive (although agreed by the client), is not the first time that a Court has affirmed the value it places on accountants' services.

Yours faithfully,

London, SW1.

J. JEFFREY COOK.

Replacement Cost Depreciation

SIR, - Publication in *The Times* recently of figures demonstrating the decline in capital invested in electricity generating plant in relation to capacity which has taken place during the last ten years,

prompted another correspondent of that newspaper to raise the interesting question, whether those who advocate the use of replacement cost in calculating depreciation (and for other purposes) would now favour that depreciation should be reduced.

As readers of this journal will know, this problem has been aired by a number of correspondents without any general agreement having been reached. In fact, it would appear that the more progressive members of the profession and those engaged in academic work tend to favour replacement cost depreciation for profit measurement, whereas the conservative elements (together, of course, with the usual majority of 'don't knows') want to retain historical costs. I find myself, to my great surprise, on the side of the majority.

Now, this is a matter of the greatest importance to accountants, particularly in view of the constant growth of capital intensity and the trend towards automation. We must solve this problem. I should like to invite those accountants who advocate the use of replacement costs for calculating depreciation in the financial accounts to explain their position in a time of falling prices, or in an industry where capital costs per unit of output are declining for other reasons. Similarly, I should like to ask cost accountants who favour the inclusion of depreciation in their cost accounts at some other valuation than that based upon historical cost and useful life, at what exact point in time they would change an over-recovery of capital expenditure into an under-recovery, and on what basis, and what they would do with the amount under-recovered?

Yours truly,

London, SW10.

KENNETH S. MOST.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Building and Civil Engineering Holidays Scheme Management Limited v. Clark

In the High Court of Justice (Chancery Division) -
February 10th 1960

(Before Mr Justice LANKWERTS)

Income tax - Company providing holidays with pay - Administering holiday scheme - Excess receipts - Whether profit of a trade - Whether adventure or concern in the nature of trade - Income Tax Act, 1952, Section 526 (1).

The appellant, a company limited by guarantee, was formed in order to administer a scheme to provide holidays with pay for the employees in certain

industries. The scheme was formulated in an agreement between organizations representing the employers and the employees. The employer credited each employee with an amount every week, and paid to him a sum equal to the total of the credits, less an administrative charge, when he was about to go on holiday. A stamp equivalent to the weekly amount was put by the employer on a card, and the stamps were bought by the employer from the appellant. When the employee was about to go on his holiday, he signed the card as a receipt for his holiday money, and the employer sent the card to the appellant, and was reimbursed by the latter. In some instances the employee received his holiday money direct from the appellant. The appellant was not incorporated with the object of making profits and did not conduct its affairs with that object in view.

In the thirteen years of the appellant's existence there was a deficit in ten of those years, and the total deficit at March 31st, 1955, was £286,017. But sums paid to the employers in reimbursement, together with holiday money paid directly by the appellant

to employees, had never equalled the sums received from employers for stamps; and it was unlikely that the appellant would have to pay back to employers all the excess of the latter sums.

The Inland Revenue assessed the appellant on the footing that it was carrying on a trade, and the amount of the assessment was calculated on the

assumption that 3.65 per cent of the sums paid by employers for stamps would never be claimed, and would remain in the appellant's possession. The Special Commissioners decided that the appellant was carrying on a trade of dealing in stamps.

Held: the appellant did not carry on such a trade or any trade.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Belfast on Thursday, February 11th.

Attendance

Mr D. McC. Watson, *President*, was in the chair, and there were also present:

Messrs G. E. Cameron, *Vice-President*; H. E. A. Addy, John Bacon, A. S. Boyd, G. A. P. Bryan, Frank Cleland, M. M. Connor, A. E. Dawson, J. F. Dempsey, James Graham, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson, James Walker, with the *Secretary* and the *Joint Secretary and Treasurer*.

An apology for absence was submitted from Mr Mervyn Bell.

Deaths

The deaths of the following members were reported and noted with regret:

Barry, William Taylor, Associate (Belfast).
Mackay, John, Fellow (Liverpool).

Fellowship

The following Associates were elected Fellows of the Institute:

Conlon, Malachy (Dublin).
Donnelly, John Gerard (Dublin).
Dunscith, Robert James (Edmonton, Alberta).
Graham, Ronald Teuton (Belfast).
Lewis, Hugh Wallace (Dublin).
Morrow, Joseph Johnston (Belfast).
O'Beirn, Peadar Maileac (Galway).

Associateship in Practice

The following Associates were admitted to practice:

Davies, Thomas William (Dublin).
O'Connell, John Augustine (Cork).
O'Neill, Dermott (Dublin).
Spain, Alexander Jerome (Dublin).
Thornton, Anthony Joseph Kevin (Cork).

Membership

The following candidates who were successful at the Institute's Final examination held in November 1959 were admitted to membership as Associates:

(a) *In practice*

Buckley, James Patrick (Dublin).

(b) *Not in practice*

Blankley, Michael Elver (Belfast); Delaney, Michael Kevin (Dublin); Dempsey, Patrick Vincent (Dublin); Donovan, Cecil William (Dublin); Drennan, Cecil (Belfast); Fay, Desmond William James (Dublin); Gilpin, Frederick Hewitt (Belfast); Jenkins, Thomas Alfred (Newtownards, Co. Down); Kearns, Richard (Dublin); Lawlor, Ruth Alexandra (Miss) (Belfast); Lewis, Gordon Shirley George

(Dublin); Lynch, Michael Anthony Patrick (Dublin); McGinley, Joseph Paschal (Dublin); McKee, John Mallon (Belfast); McNulty, Conor Stanislaus (Dublin); Mencarelli, Allan (Belfast); Merry, Brian Anthony (Dublin); Monaghan, John James (Belfast); Nichols, Michael John (Greystones, Co. Wicklow); O'Farrell, Michael Aloysius (Galway); Passmore, Donald William Joseph (Wexford); Quirke, Flannan Joseph (Dublin); Reynolds, George James Gerard (Dublin); Scott, William Hartford (Armagh); Stein, Martin (Dublin); Supple, Aidan Fintan (Dublin); Walkington, Roger (Belfast); Wallace, Paul Michael (Dublin).

The following candidates who were successful at the Final examination held in November 1959 under the syllabus of The Society of Incorporated Accountants (in voluntary liquidation) were admitted to membership as Associates not in practice:

Boyd, Alan Latemar (Belfast); Cruise, David Gardiner (Belfast); Falls, Alexander Hunter (London); Glover, John Samuel Stanley (Dublin); Heaslip, James Mitchell (Dublin); Heraghty, Martin Alphonsus (Dublin); Hyland, James Bernard (Cork); Keogh, Thomas Joseph (Dublin); King, Robert Stanley (Belfast); Shaw, Desmond Johnston (Belfast); Stewart, Noel (Belfast).

At a short ceremony the President welcomed a number of the new Associates to whom he presented certificates of membership. Miss Ruth Alexandra Lawlor, of Belfast, who had obtained first place with honours at the recent Final examination, was presented with the Institute Gold Medal.

The Council accepted the resignation from Institute membership of Mr Thomas S. Totton, Associate, Belfast.

Articles of Clerkship

Two applications for permission to spend the final months of service under articles in commercial organizations were refused.

Examinations: May 1960

It was decided that Preliminary, Intermediate and Final examinations of the Institute should be held in Belfast and Dublin on May 10th, 11th, 12th and 13th, 1960.

The Final examination of The Society of Incorporated Accountants (in voluntary liquidation) which is being conducted in Ireland by the Institute, will also be held in Belfast and Dublin from May 10th to 13th, 1960.

Policy Committee

The first report of the Policy Committee appointed by the Council in March 1959 was submitted and was adopted. In the report the Committee reviewed the existing system of committees appointed by the Council and recommended the setting up of a number of permanent new committees.

WORK OF THE SMALL PRACTITIONER

PRESIDENT'S COMMENTS AT SOUTHAMPTON DINNER

Speaking at a dinner of the South Eastern Society of Chartered Accountants held at Southampton on February 16th, Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, said that every profession at the present time was conscious of changing circumstances in its own framework, brought about by three main reasons: (a) the changing demands on its services, (b) the point of view of the young people from whom it draws its recruits and the competition for their services from industry and science, and (c) the tendency to specialize in order to meet the increasing complexity in business and the life of the community.

Growth of Specialized Work

Dealing with the first of these three points, Mr Peat stated that it was obvious that any profession must conform to the demands made upon it. He continued:

'In the case of our Institute, thirty years ago the main demand on our services was for audit work and it was looked upon as the "bread and butter" of our professional diet. Audit work was the training ground for our articled clerks and it provided a steady background of employment for our staff and absorbed a high percentage of our overheads.

'Audit work is still a very important factor for the bigger firms, although special work on investigations, prospectuses and taxation is increasing. At the same time this special work is taking such an important place in the accountant's curriculum that the work on auditing is tending to become more and more streamlined and will, in the comparatively near future, require an increasingly better qualified staff and probably less of them.

'The really interesting development in the work of the profession is the demand which has been made upon it ever since taxation became a very material factor, by the small trader and farmer. By far the greater number of these smaller taxpayers would never have kept any accounting records if it had not been for the demands of the Inspector of Taxes, and the accountant who tackles this work usually has to deal with incomplete records or no records at all, and has far too often to negotiate an agreement with the Inspector on a hypothetical basis.

'I think it is reasonable to assume that in a medium-sized industrial town only 15 per cent to 20 per cent of the accounts prepared for assessment purposes would have been prepared for any other reason such as business efficiency or statutory requirements, and that in the case of 30 per cent of the assessments no accounts would be available, and estimated assessments would have to be prepared in the first place, an agreement being reached ultimately on production of some evidence, which could not be described as book-keeping records. The remaining

approximately 50 per cent would represent incomplete records.'

Incomplete Records

The President went on to say that in a farming district he believed that the number of accounts kept for business or efficiency reasons, irrespective of taxation, represented less than 5 per cent, the balance being represented by incomplete records or no records at all. Summing up, he stated that most small businesses, farming or otherwise, would never keep any accounting records if it were not for taxation. Most small and medium-sized accountancy firms seem to spend never less than 50 per cent of their time on intermediary work between the Inspectors of Taxes and the small industrialist and farmer, usually dealing with incomplete records. 'One can assume', he added, 'that the figure in most cases is considerably above 50 per cent, and is as high as 95 per cent in many cases and sometimes 100 per cent.'

'As far as one can see the work done is often only a matter of using a typewriter and sometimes no certificate is given, and if one is given it implies no audit and takes no responsibility, the only service rendered is the contact between the accountant and the Inspector.

'From these deductions, and I believe they give a fair picture of the position, a great number of our professional colleagues are employed on work for which the high standards of our training are not applicable and the flow of recommendations which the Council sends out is of only academic interest to them. In some districts members of our Institute have to meet strong competition from unqualified accountants, and frequently from solicitors.

'I feel that this is a situation which calls for grave and searching consideration in the hope that some solution can be found. I believe that the answer is to persuade the small shopkeeper and farmer that his future standard of living depends on his keeping some simple form of accounts to enable him to appreciate his trading position and make some practical plans for the future. This, I appreciate, will be a long and hard road to travel.'

Other Speakers

The toast of 'The Institute of Chartered Accountants in England and Wales', to which Mr Peat responded, was proposed by Dr F. Mayo, Refinery Manager, Esso Petroleum, Fawley.

Mr W. T. Hunter, M.B.E., F.C.A., President of the South Eastern Society, proposed the toast of 'Our Guests', and Mr G. A. Macdonald, President, Hampshire Incorporated Law Society, replied.

JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS DINNER IN CARDIFF

Two hundred guests at the annual dinner of the South Wales and Monmouthshire Society of Chartered Accountants toasted the birth of the new Royal Prince on Friday and spontaneously sang the National Anthem when toasting 'The Queen'. The dinner, which was held at *The Park Hotel*, Cardiff, was presided over by Mr C. R. Daniel, F.C.A., President of the Society.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr E. Roderic Bowen, Q.C., M.A., LL.B., M.P., Recorder of Merthyr Tydfil, kept his audience in great humour with a rapid string of anecdotes.

Once Twenty Members

Looking back on the history of accountancy, Mr Bowen noted that when the Institute received its Royal Charter there were only twenty members qualified in Cardiff. Today there is a 'vast army'. He humorously referred to two quotations concerning accountants. The first was attributed to the famous Robert Balfour who in 1874 was asked to forsake accountancy for the law: he said, 'Accountancy is certainly more varied than that of the lawyer and I certainly deem it to be more dignified'. The other was by Mr Justice Quayne in 1875 who described accountants as 'an ignorant set of men'.

Mr Bowen added that in the present day one thing was clear - that the chartered accountant was playing an ever greater part in the life of the country. Those connected with the law were continually mindful of their responsibility wondering what would happen to society if the judiciary became corrupt or incompetent. 'All I say is this, what would happen to commercial integrity and fair dealing if your profession did not protect your sense of integrity and dignity?'

Small Practitioner's Work

Responding to the toast, Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, referred to his speech at the South Eastern Society's dinner at Southampton. He said:

'I gave it as my opinion that there is a considerable difference between the work done by the larger firms and that done by small firms, the latter being engaged to a large extent, and sometimes wholly, on preparing income tax returns for small traders and farmers from incomplete records or no records at all.'

Continuing, he declared:

'The facts are, of course, that this work has got to be done by someone, and that although Somerset House may not be fully aware of the sometimes very scanty information on which assessments are agreed, the Inspectors of Taxes find that the services of accountants, in cases where incomplete records or no records are kept, are essential if, under the present arrangements, the revenue is to be collected even with the considerable delays which at present exist.'

'From inquiries I have made it seems that, at least in country districts, more than half the original Schedule D

assessments issued have been based on pure estimates. Eventually accounts are submitted in respect of about three-quarters of the assessments, but of these less than a tenth would have been prepared in any case, that is to say by limited companies, partnerships, etc.

'I am told that not one farmer in a thousand records his drawings. In country districts probably between 80 per cent and 90 per cent of the work of accountants is on incomplete records for taxation purposes.'

'It is impossible to measure accurately the percentage of the profession which is engaged on this kind of work, but there can be no doubt that it is a material one, between 30 per cent and 50 per cent. The work is hard and mostly personal and leaves no time for keeping abreast of the continually advancing technique of the profession.'

'The Institute's duty is to represent and assist all its members and the public they serve. To take the last point first, it is difficult to assess the value of the small business man or farmer in the national economy. I believe the small trader or agriculturalist performs a great service to industry, but in a wasteful and hazardous manner as far as he is concerned if he makes no attempt to keep even an elementary set of accounts to measure his efficiency and success, and in the majority of cases no accounts of any kind would be kept if it were not for the Inspector of Taxes.'

'This blind approach to the results of trading must result in insecurity and a lack of continuity, and, as has been so truly said, the small man would not remain a small man if he kept sufficient accounting records to show him how better to manage his business.'

This, said Mr Peat, emphasized the importance of management accounting.

Accountant's Qualities

The toast of 'The Guests' was proposed by Mr Daniel, who said it was no secret that a committee was at present examining the subject of training and education of articled clerks. That committee had sent out a questionnaire asking what qualities were desirable in an accountant. 'The combined replies just about made the perfect man with all the virtues,' said Mr Daniel. 'He has to have a broad education, personality, integrity, unbiased judgement, initiative, analytical mind, adaptability, capacity for hard work, and so on.'

In spite of this list, there was one quality that he thought very desirable and that was patience.

'We have all had the experience of having a number of jobs nearing completion and we have got to wait for a little more information. It is a great temptation to sign them and get them out, but we must not do it. Impatience can lead us into trouble.'

'Another quality I would suggest as desirable is knowing your limitations. We are so apt to give advice to clients which is outside our scope. It is a great temptation not because of the fees we earn but because we are trying to help them. But it is a dangerous thing and can be unrewarding.'

Mr G. C. Diamond, O.B.E., M.A., headmaster of Cardiff High School, responded on behalf of the guests, and Mr H. R. Quarren Evans, H.M. Inspector of Taxes, Cardiff 1st District, also replied.

In conclusion, a vote of thanks to Mr Daniel was proposed by Mr T. W. Pickard, F.C.A., with Mr Daniel making a response.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES President's Luncheon

The President of the Institute, Mr C. U. Peat, gave a luncheon party at *The Savoy Hotel* last Wednesday. The guests were The Viscount Kilmuir, Sir Gerard d'Erlanger, Sir George Erskine, Sir Frank Lee, Sir William Carrington, Sir Harold Howitt, Mr Lewis Chapman, Mr D. J. Roberts, Mr D. V. House, Mr S. J. Pears and Mr Alan S. MacIver.

PROFESSIONAL NOTICE

MESSRS ANDREAE & FINGLAND, Chartered Accountants, of 327 Bay Street, Nassau, Bahamas, announce that Mr L. CROPPER, A.C.A., and Mr A. H. BRIGGS, F.C.A., were admitted into partnership as from February 1st, 1960. The name of the firm remains unchanged.

Appointments

Mr P. Sprawson, F.C.A., F.C.W.A., secretary and chief accountant of The British Piston Ring Co Ltd for the last eight years, has now been appointed to the board.

Mr Norman G. Lancaster, M.B.E., F.C.A., has been appointed a director of Tomkynsons (Holdings) Ltd.

Mr R. Ivor Slater, F.C.A., has been appointed managing director of Moorwoods Ltd, of Sheffield.

Mr A. Wakeling, A.C.A., has been appointed chief accountant of Walker, Moate & Co and the other companies in the group.

Mr J. G. S. Gammell, M.B.E., C.A., manager, British Assets Trust Ltd, is one of the members of the committee which is to carry out the inquiry into Scotland's economy sponsored by the Scottish Council (Development and Industry).

OBITUARY

John Duncan, C.A.

It is with regret that we record the death on February 18th of Mr John Duncan, C.A., who was senior partner in the Glasgow firm of Thomson McLintock & Co, Chartered Accountants.

Mr Duncan, who was 77 years of age, became a member of the Institute of Accountants and Actuaries in Glasgow in 1905, having passed his Final examination with distinction, and in 1946 he was elected President of that Institute. Admitted to partnership in Thomson McLintock in 1915, he took a keen interest in matters affecting the welfare and progress of apprentices and was President of the Glasgow Chartered Accountants Students' Society in 1913-14 and served as Honorary President in 1924-25.

From 1917 to 1920, and again from 1942 to 1945, Mr Duncan was a member of the Council of the Glasgow Institute and he also served on the Joint

Committee of the Councils of the three Scottish Chartered bodies from 1944 to 1948. He was President of the Scottish Chartered Accountants' Benevolent Association in 1948-49 and a member of the Executive Committee from 1951 to 1956.

Mr Duncan, who held a number of company directorships, took a keen interest in the local activities of Lenzie, his native town. He was a very keen and good golfer and his other recreations included shooting and curling.

CHARTERED ACCOUNTANT'S BEQUEST TO THE INSTITUTE

In the will of the late Mr Richard James Weston, F.C.A., former senior partner in the firm of R. J. Weston & Co, Chartered Accountants, of Derby, £500 was left to The Chartered Accountants' Benevolent Association. Mr Weston also left one-fourth of his estate to the Institute for providing and maintaining a branch library and reading room in Derby, or prizes to be awarded for costing papers in the examinations or lectures of the Institute, or a fund associated with his name for these or other purposes as the Council of the Institute may decide, but preferably to benefit the profession in the county borough of Derby and district.

A 'DELOITTE' DINNER

A dinner has been arranged at which past members of the staff of Messrs Deloitte, Plender, Griffiths & Co will entertain the present and former partners. The dinner will be held at *The Savoy Hotel* on Thursday, March 24th next, and any 'Old Deloitteans' who have not received particulars of it are invited to communicate with Mr Harold E. Gibb, at 25 Woodside Park Road, London, N12.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute on Tuesday, March 8th, at 6 p.m., when Mr E. C. Meade, F.C.A., will speak on 'Important tax decisions of 1959'.

Annual Dinner and Dance

The annual dinner and dance for members of the London and District Society of Chartered Accountants and their friends will this year be a much bigger event than ever before.

It is to be held in the Grand Banqueting Hall at *Grosvenor House*, Park Lane, on Wednesday, March 30th. Tickets at £2 each are available from the Secretary of the Society, Mr J. W. G. Cocke, T.D., M.A., F.C.A., Bank Chambers, 232-8 Bishopsgate, London, EC2. (Telephone: Bishopsgate 0841-2.)

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THE DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

At a recent meeting of the Dublin Society of Chartered Accountants held at *The Royal Hibernian Hotel*, Dublin, the chairman of the Society, Mr John Love, F.C.A., presided and introduced the guest speaker, Mr Patrick Moore, A.C.I.I., pensions superintendent of the Friends Provident and Century Life Association, who delivered an address on the 'Finance Act, 1958, in relation to pension schemes'.

Mr Moore commenced by tracing the growth of pension schemes from the early years of the century down to the present day. The Income Tax Act of 1918 which allowed life assurance relief for the first time was the earliest Act to make any provision for pensions, he said, and the 1921 Act included a section dealing with superannuation funds, and it was about 1927 that the life offices became active in this sphere. It was as a result of this, Mr Moore continued, that life assurance became a feature of pension schemes. It was not, however, until after the last war, he said, that a really significant upsurge of interest in pension schemes became apparent. This was due largely to very high rates of taxation, together with a growing feeling among employers of moral obligations towards their staff.

Mr Moore then outlined the basic features of the various types of scheme in operation up to 1958 and the effects in each case of the 1958 Act, the provisions of which he explained in detail. He concluded by stating that although the Act had many features which do not meet with general approval, it has at any rate clarified the position. It has, he added, also stimulated interest in pension schemes, and anything which helps to achieve this is to be welcomed.

CERTIFIED ACCOUNTANTS' LUNCHEON MEETING

The Association of Certified and Corporate Accountants will hold a luncheon meeting at the Connaught Rooms, London, on Tuesday, March 8th, at which the guest speaker will be Mr A. Dickson Wright, M.S., F.R.C.S., who is recognized as one of today's outstanding international surgeons. The subject of his talk is 'Surgery today'.

Members of the Association wishing to have further details should communicate with the Secretary at 22 Bedford Square, London, WC1.

**INSTITUTE OF INTERNAL AUDITORS
London Chapter**

At the next meeting of the London Chapter of The Institute of Internal Auditors to be held on March 2nd, Mr H. H. Longman, of the O. & M. Department of Unilever Ltd, will talk on 'Work study in the office'.

Inquiries about membership of the Chapter should

be addressed to the Secretary, Mr E. N. Judge, South Eastern Electricity Board, 10 Queen's Gardens, Hove, 3, Sussex.

**WOMEN CHARTERED ACCOUNTANTS' DINING SOCIETY
Sherry Party at Birmingham**

The Women Chartered Accountants' Dining Society held a sherry party and fork supper for women accountants at *The Grand Hotel*, Birmingham, last Saturday. The sherry party was attended by twelve articulated clerks who represented 50 per cent of the women members of the Birmingham Students' Society. In welcoming the guests, the Chairman of the Dining Society, Miss Margaret Fox, F.C.A., said that the response to this new venture in arranging a meeting outside London had been very encouraging and was, in fact, much greater than had been expected. The women members of the Institute in the Birmingham area undertook to explore the possibilities of arranging further meetings to include the women students.

THE MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The annual dinner of The Manchester Chartered Accountants' Students' Society is to be held next Thursday at *The Midland Hotel*, Manchester. Mr S. J. Pears, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales, will respond to the toast of 'The Institute' proposed by Judge Sir Basil Nield, C.B.E., Q.C. (the Recorder of Manchester).

A report of the occasion will appear in our issue of March 12th.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, 6 p.m., at the Institute: Lecture on 'What the Press looks for in accounts', by Mr S. W. Alexander, Editor, *The City Press*. Chairman Mr E. Kenneth Wright, M.A., F.C.A., Member of the Council of the Institute and Vice-President of the Students' Society.

8 p.m., at Westfield College, Kidderpore Avenue, NW3: Joint debate on the motion 'This house regrets that ladies have to wait for leap year'.

Tuesday, 6.30 p.m., at Guildford: Lecture on 'Mercantile law', by Mr S. G. Maurice, Barrister-at-Law.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'The conduct of a typical case in the Courts', by Mr J. R. Phillips, Barrister-at-Law.

7 p.m., at Reading: Lecture on 'Consolidated accounts', by Mr R. S. Waldron, F.C.A.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'Management accounts and costing', by Mr Kenneth G. Bishop, A.C.A., chief accountant, Yardley & Co Ltd; and 'Partnership law', by Mr P. W. Medd, Barrister-at-Law.

Saturday, Badminton v. Imperial College.

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THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Results of Examinations held in December 1959

FINAL EXAMINATION

SECTION I

First Place: Staley, R. H., Swansea.

Second Place: Patterson, Miss M., Manchester.

Third Place: O'Reilly, S. M., Dublin.

(in alphabetical order)

Aberdeen, K., Manchester.
Adcock, H. R., Hornchurch.
Aldridge, G., Bootle.
Allard, J. A., Ilford.
Anibaba, M. O., London.
Asipowicz, P., Lagos.
Atkins, K. F., Gosport.
Auton, C. O., Manchester.

Babb, T. W., Cheadle.
Bacchus, M., Harrow.
Barnard, L. A., Dagenham.
Batcheler, K. C., Woking.
Bates, D. E., Cheam.
Bernard, P. H., Pinner.
Biggin, R., Sheffield.
Boakye-Agyeman, S. I. K., London.
Boyask, S., Ilford.
Boyle, J. F., Stoke-on-Trent.
Bradshaw, D. J., Bookham.
Brisby, R. H., York.
Brown, R. D., Poole.
Bullock, T. F., Ickenham.
Burder, C. D., Port Talbot.
Burkhill, A., Sheffield.
Burnett, J. N., London.
Burns, R. G., Hillingdon.
Butcher, I. C. F., Belmont.
Butterworth, L. A., Havant.

Carver, H. J. F., Midsomer Norton.
Chubb, J. D. F., Brookmans Park.
Clarke, W. A., Guildford.
Cocking, M. E., London.
Coles, M. H., Southampton.
Colvin, W. M., Lossiemouth.
Cooke, A. L., Brighton.
Cooper, J., Barnsley.
Cooper, T. W., Tilbury.
Copland, P. J., Edinburgh.
Corkill, W. A., Douglas, Isle of Man.
Corrigan, J. F., Watford.
Court, J., Ashford.
Croghan, W. A., Manchester.
Crouch, C. A. G., Tilehurst.
Cunningham, D. A., Belfast.
Currass, M. E., Salisbury.
Curtis, B. J. W., Rochester.

Dibble, D. D., London.
Dodd, D. T., Gunnislake.
Donaldson, J., Dunfermline.
Drummond, R., Grimsby.
Dundas, R. P., Dundee.
Dunning, P. A., Oxford.

Evans, P. J., Broxbourne.
Evans-Appiah, R., London.
Eze, F. O., Leeds.

Farinde, J. O., London.
Farmer, K. A., Coulsdon.
Ferris, D. C., Coventry.
Fields, A. J., Newport Pagnell.

Finucane, L., Manchester.
Foulkes, R., Stoke-on-Trent.
Frost, J. R., Liverpool.
Gainham, J. H., Smethwick.
Garton, H., Acomb.
Gibbs, W. B., Exeter.
Gladwin, W. J., Harrow.
Gough, T. L., Lower Tuffley.
Gregory, A. J., London.
Gregory, R. S., Abbots Langley.
Grove, R., Birmingham.
Gyechie, G. E., London.

Hadaway, B. G., Loughton.
Harris, J. F., Teddington.
Harrison, R. G., Doncaster.
Hart, E. F., Shoreham.
Hart, N., Ottershaw.
Hayes, J. J., Ruislip.
Hemmings, R., Weymouth.
Hinks, A. J., Luton.
Hogan, J., Harrow.
Horder, M. C., Windsor.
Horne, D., London.
Horsman, E. H., London.
Howell, K. B., London.
Hulme, C. G., Basingstoke.
Humphreys, A. L., Cardiff.
Hunter, R., Burnley.
Hutton, D., Grimsby.

Iacovides, A. I., Crawley.
Idell, S., Sheffield.
Isaacs, J., Chester.

Japp, W. W., Dundee.
Jary, K., Harrow.
Johnson, I. E., Leeds.

Kelly, R. P., Aldershot.
Kemp, J. D., Harrow.
King, A. J., Birmingham.
Klyhn, L. F., Harrow.

Lambert, D. A., Faringdon.
Lambeth, P. A., Epsom.
Leach, F. A., Manchester.
Lowman, J. A., Worcester Park.

McGarry, J., Glenrothes.
McLay, E. G., London.
McQuade, G. F., Menstrie.
Maddison, F., Nottingham.
Magill, A., Birmingham.
Maginn, P., Hounslow.
Millard, G. A., Birmingham.
Mitchell, G. D., London.
Mitchell-Cox, S., London.
Morgan, T. T., Swansea.
Mullins, J. L., Stretford.

Namsoo, J. T., Leeds.
Naumann, A. M., London.
Newman, A. M., Bath.

Newman, P. A., London.
Newsome, M., Harrogate.
Nnam, O. I., Portsmouth.

Ogden, E., Manchester.
Ojo, P. B., Leeds.
Okafor, B. O., Oxford.
Okoro, U. U., Portsmouth.
Onalaja, Z. A., London.
Osborn, Mrs C. M. T., London.
Osborne, R., Hamilton.
O'Sullivan, C. F., Merthyr Tydfil.

Patch, G. F., Midsomer Norton.
Patel, R. B., London.
Pearce, B. J., London.
Pearson, C. G., London.
Pinborough, K. R., Barking.
Pink, I. E., Southwick.
Polkinghorne, C. J., Enfield.
Pyne, D. W. M., London.

Retzlaff, D. T., Brentwood.
Richards, C. A., Swansea.
Robinson, W., Ripon.
Rose, N. G., Oxford.

Schofield, G. H. T., London.
Setchell, D. C., Wembley.
Shore, W. H., Newport, Mon.
Simpson, Miss M. I., Kew.
Smith, F., Blackburn.
Smith, H. B., Aberdeen.
Smith, K. P., York.
Smith, M. K., Reading.
Somani, C. C., London.
Stenhouse, A. C., Glasgow.
Stevenage, P. H., London.
Stockill, M. J., London.
Stride, A. H., Hampton.
Sullivan, M. F., Malahide.

Tanner, R. W., Bristol.
Terry, L. M., Edgware.
Thompson, D. P., Aylesbury.
Thomson, S., Hamilton.
Tindall, M. J., Hull.
Toy, J. E., Birmingham.
Tregoning, W. R., Redruth.
Tucker, J. S., Kingston upon Thames.
Twist, L. M., Walsall.

Ventham, J. D., Lagos.
Vickers, H., Ossett.
Vickers, I., Bishop Auckland.

Walsh, T., Cork.
Ward, M. J., Kettering.
White, R., Worksop.
Whiteman, R. E., Southampton.
Widd, A., Leeds.
Williams, M. D., Birmingham.
Wiseman, B. J., London.
Woodthorpe, A. W., Loughton.

FINAL EXAMINATION

SECTION II

First Place and Prize: Kalmre, H., Birmingham.

Second Place: Griffith, C. V., Leeds.

Third Place: Berry, J. R. W., Welling.

Fourth Place: Smith, J. A., Hampton.

(in alphabetical order)

Adams, W. R., Birkenhead.
Adewunmi, F. A., London.
Akintola, A. O., Leeds.
Allen, H., Kenton.
Alvi, M. Y. A., Liverpool.
Appelstone, J. T., London.
Archer, R. E., Portsmouth.
Arkell, A. J., Southsea.
Armitage, K. P., Enfield.

Baldry, R. O., Orpington.
Bargery, J. V., Wednesfield.
Barker, J., Newark.
Barry, M. C., Cork.
Batt, F. C. J., Troon.
Beardsworth, W., Baildon.
Bethel, J. W., Bolton.
Bloxham, O., Tynemouth.
Branson, P., London.
Bray, G. W., New Malden.
Bray, J. K., Brentwood.
Brazier, L., Leighton Buzzard.
Brecknell, J. P., Blair Atholl.
Bridge, Miss P. I., London.
Bridgers, A. H., Chelmsford.
Brooke, A. G., Barnsley.
Burnard, C. R., Harrow.

Carrick, J. A., Burgess Hill.
Cattermole, D. D., London.
Cleaver, J. A., Bromley.
Clifford, F., Chesterfield.
Coleman, B. D., Caernarvon.
Colenso, C. D., London.
Cooper, H. B., Worcester Park.
Cotterill, A., Walsall.
Cox, N. L., Swansea.

Dagg, T. R., Glasgow.
Danell, J. B., London.
Davies, H., Walkden.
Davies, H., Manchester.
Davies, M., Crewe.
Derian, D., London.
Drysedale, D. A., Stanmore.
Durojaiye, I. A., Leeds.
Dyer, J. R., Norwich.
Egejuru, S. C., Leeds.
Ellis, A. J., London.
Entwistle, K., Bolton.

Fairburn, L. E. A., London.
Farmer, A. F., Bridgwater.
Ferdinand, Miss E., Tilbury.
Fleming, W. J., Chester.
Foley, J., West Hartlepool.
Foy, L. J., Hove.

Garnett, J. O., Hull.
Geddes, D. S., Glasgow.

Goddard, V. K., Manningtree.
Golding, Miss C. L., London.
Goodacre, D. W. F., London.
Gretton, R. C., Billericay.
Guess, P. G., London.

Harness, M. F., Nottingham.
Harrold, J. G., Isleworth.
Healy, J. A., Bolton.
Hiles, G. W. H., Exeter.
Hopkinson, G., Derby.
Hossick, R. S., Dundee.
Howard, R. G. L., London.
Howe, D., Sevenoaks.
Hubbard, J. A., London.
Hyslop, M. J., Wolverhampton.

Ibe, M. E., London.

James, D. L., Birmingham.
Jaques, L. E., Hemel Hempstead.
Jawad, M. A., London.
Jones, D. R., Epsom Downs.
Jones, D., Guildford.
Journeaux, J. N. H., Portslade.

Kelly, R. R., London.
Kent, A., Stockton-on-Tees.
Klimczak, G. J. B., Edinburgh.

Laurie, N. D., Dumfries.
Leck, R., Canterbury.
Letts, J. D., Sherborne.
Levene, M. P., Edgware.
Liddle, J. D. G., London.
Lillyman, B. W., Swansea.
Loader, P. E., Chippenham.
Love, D. M., Norwich.

MacAlevey, F. J., Dundalk.
MacCulloch, D. J. L., Chessington.
Macleod, R. N., Keighley.
Marsh, L. H. K., Farnham.
Martin, D., Oxford.
Masters, P. J., Chislehurst.
Mensah, E. O., Glasgow.
Michael, P. F., Cardiff.
Montgomery, C. M., London.
Morrish, J. F. J., Lymington.

Newman, A. G., Cardiff.
Nicholls, J. E., Camborne.
Nicholls, K. W., Bushey.
Nixon, G. A., Kings Lynn.
Nunn, D. J., Southsea.
Nwankwo, J. O., London.

O'Connor, S., Kendal.
O'Kelly, C. F. M., Dublin.
O'Malley, P., Dublin.
Owen, E. S., London.

Panton, E. R., London.
Parrott, P., Scunthorpe.
Pearce, G., Oldham.
Pearce, R. J., Brentwood.
Pennock, M. W., Harrogate.
Phillips, B. H., Luton.
Phillips, I. H., St Albans.
Pidd, F. E., Doncaster.
Pitsilides, C., London.
Popkin, J. A., Guildford.
Prevatt, M. F., London.

Reid, J. D., Glasgow.
Richards, W. V., London.
Riley, S. R., Birmingham.
Robertson, L. P., Wolverhampton.

Saunders, R., London.
Seerns, B., Watford.
Shelverton, R. H., Sidcup.
Shepherd, J. R., Leeds.
Silcock, F. A., Harrogate.
Smalls, P. H., Kings Lynn.
Smith, E. G., Tipton.
Smith, R. F., London.
Sood, V. D., London.
Spence, I., Altrincham.
Staunton, F. W., Northolt Park.
Storz, M., London.
Swallow, G. W. H., London.

Tam, A., Leeds.
Taylor, D., Pontefract.
Teesdale, J. N., Wickford.
Thorn, R. J., Greenford.
Thwaites, M. W., Burgess Hill.
Tonkin, M. B., Colwyn Bay.
Towell, R. M., Wembley.
Tranter, R., Hounslow.
Truswell, R., Manchester.
Turner, D. L., Harrow.

Vanderwelle, F. G., Stevenage.

Wagner, R. S., Birmingham.
Wagstaff, N. D. J., Leigh-on-Sea.
Walker, W. J., Glenrothes.
Webster, A., Beverley.
Webster, N. B., Sheffield.
Weintraub, M., Romford.
Wells, R. A., Doncaster.
Welsh, W., Glasgow.
Whittaker, J. M., Poole.
Whittaker, P. T., Huddersfield.
Wilson, K. W., Peterborough.
Withnall, A., Birmingham.
Wood, T. J., Kendal.
Woodall, J. R., Kingswinford.
Woycicki, S., London.
Wright, A. G., Basildon.

Youles, B. J., Wisbech.

199 Candidates failed

Summary of Results

Candidates		Pre-liminary	Inter-mediate	Final		Total
				Section I	Section II	
Passed with Honours	..	3	4	3	4	14
Passed	58	230	173	164	625
Failed	52	384	380	199	1,015
Total sat	113	618	556	367	1,654

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Pension Fund Accounts

THE emergence of the pension scheme as a factor in what H. G. WELLS called 'the work, wealth and happiness of mankind' is undoubtedly one of the most satisfying social developments of the present century. The prospect of poverty in old age has been mitigated and should soon be wholly eliminated. The pleasing consequence is that, free from that particular dread, economic man now gives more to society in his productive years, secure in the knowledge that he is honourably earning not only his present but his future keep.

Benefits, however, bring their responsibilities and the proliferation of pension schemes, in their almost infinite variety, during the past fifty years has created many new problems. The large funds which are accumulating in trust have to be properly administered and this, in turn, necessitates accurate accounting and regular appraisal. Accountants in practice, as well as those in industry, are occasionally called upon to advise on what form the financial accounts of such a scheme should take and on the treatment in the client's own financial accounts of his liabilities as an employer in this connection. To guide members of The Institute of Chartered Accountants in England and Wales in these specialized aspects of accounting, the Council of the Institute has just issued a new recommendation - which takes its place as No. 21 in its series of *Recommendations on Accounting Principles* - entitled 'Retirement Benefits'.

The title of this publication - reproduced elsewhere in this issue - is broader than the actual treatment given to the theme. No attempt is made to analyse or advise on all the many kinds of pension scheme in existence. The first of its two parts is confined in the main to a consideration of the principles applicable to the accounts of the type of fund where - and here it is easier to quote from the recommendation itself:

'... the main purpose is to provide pensions for employees on their retirement, the contributions of the employer and the contributions (if any) of the employees being paid to trustees on whom rests the responsibility for investing the funds in order to provide the benefits as and when they become payable'.

The second, and rather shorter, part reviews more generally how the contractual obligations of an employer for the provision of pensions for his staff should be incorporated in his own financial accounts.

In enumerating the broad principles to be observed in designing pension fund accounts, the Council rightly states that the normal distinction between capital and revenue, normally so important in

other trusts and in commercial companies, does not arise in a pension fund. The object of such a fund is simply to conserve and provide money to be used for the payment of benefits as and when they mature. What, however, is important is that it must be ascertained at regular intervals whether or not the fund, actual and potential, is matching up with the sum of the benefits ultimately payable. This cannot be determined by the application of ordinary accounting concepts so that periodic actuarial valuations must be made.

Having clearly defined these requirements, the Council divides its recommendations on pension fund account into three sections. The first of these deals with the general form of the accounts. The suggested medium is a balance sheet which should state the amount of the fund at the beginning of the period; the accretions thereto by way of contributions, investment income and profits on realization of investments; the deductions therefrom in the shape of benefit payments, refunds on withdrawal, expenses and losses on realization of investments; and, finally, the amount of the fund at the end of the period. The logical sequence of this arrangement is reminiscent of the Scottish account of charge and discharge and the absence of a revenue account as a necessary pendant makes it neatly self-contained.

The second section considers at some length the accounting treatment of investments. The three methods of valuation most commonly in use are mentioned – at cost less provision to reduce to market value; at cost less provision to the extent (if any) considered necessary for diminution in value; and the aggregate market value at the accounting date whether above or below cost. The most suitable basis to adopt will depend on the individual constitution of each portfolio but it may reasonably be assumed that trustees, apart from whatever statutory limits are imposed upon them, invest with a discreet concern for conserving the funds in their care. In most circumstances, therefore, the first – and most conservative – method of valuation is probably best suited to match normal investment policy. The really important points, however, are that whatsoever basis is adopted should be maintained and that any material departure from it, should be clearly stated in the accounts.

The last section of the Council's recommendations on pension fund account is perhaps the

most significant of the three. It relates to the ability of the fund to meet its obligations and stipulates that appropriate actuarial information should always accompany the accounts. This, preferably in the form of a note or an appendix, should indicate if the resources of the fund are keeping in step with its commitments or if they are falling short and by how much. Specific reference should be made to the date of the last valuation, the position then disclosed and what remedial action, if any was necessary, has since been taken. The period of time between valuations should also be noted. It follows from this that close and continuous co-operation between accountant and actuary should be maintained if (as is usual) a quinquennial valuation provides the basis for measuring the adequacy of the fund's resources in the intervening years.

The second part of Recommendation 21 is concerned with ensuring that full provision is made in the employer's accounts for the extent of his contractual liability in respect of retirement benefits for his staff. This liability may include, as well as the normal premiums or contributions, sums to secure benefits for back service, supplemental payments for pensions for employees not covered by a main scheme or adjustments to make good a deficiency disclosed by an actuarial valuation. Where the amount of a special contribution for any of these purposes has been ascertained, the liability should be provided in the accounts and carried forward until discharged. Similarly, any payment in advance should be carried forward and charged against future profits in the due proportions. If such a sum has been reduced by reason of potential savings in tax, the fact should be noted in the accounts. In this part of the recommendation, as in the other, the need for full disclosure is continually stressed.

Like its score of predecessors, Recommendation 21 is characterized by clarity of purpose and expression. Proper emphasis is placed on the importance of maintaining strict accounting standards and on the necessity for keeping a careful watch that the funding arrangements for any scheme are commensurate with its future commitments. Those who administer pension schemes are in a position of especial trust and the guidance of the Council of the Institute on these matters will be most welcome to them.

'Profits Arising' Under Schedule E

THE CASE OF THE 'CULTIVATED PEARL'

CONTRIBUTED

THERE is no statutory definition of 'profits or gains' in the Income Tax Acts, but there are many cases where judges have attempted to give some sort of definition of the term, or to frame a broad proposition explaining what the law regards as profits. There is no distinction between 'profits' and 'gains', and according to *Konstam's Income Tax*, twelfth edition, Section 104, they both mean the same thing.

Whether a Profit of Employment

The House of Lords had some interesting things to say recently in the case of *Hochstrasser v. Mayes* (*The Accountant*, December 19th, page 603), on the subject of profits with reference, in that case, to Schedule E of the Act. The facts were that a company made service agreements with their employees requiring them to live and work in any part of the country where the company might need them. The company also operated a housing agreement scheme to assist their employees in the purchase of houses. When an employee was moved to another factory, he could offer the house to the company at a fair valuation, and if the company declined and the house was subsequently sold by the employee at a loss, he would receive from the company a sum in compensation equivalent to the amount of his loss. The question before the Court was whether this sum of money paid by the company to its employee was assessable to income tax under Schedule E as being a profit of his employment.

In this particular case a house was sold at a loss of £350, and when the company paid their employee this sum as compensation under the housing agreement, the Crown sought to tax it as being a 'salary, fee, wage, perquisite or profit arising' within the rules applicable to Schedule E, Rule 1, of the Income Tax Act, 1952. The broad proposition of law advanced on behalf of the Revenue, which was later to be scorned by Lord Denning in a striking metaphor as merely 'a cultivated pearl' and not a real one, was this: every payment by an employer to an employee must either be a personal gift, that is, not given to him in his capacity as an employee and therefore not taxable, or it must be a payment to

him as an employee and because he fulfils some office or employment it is a profit of the office and is taxable. The Revenue argued that as the employee had signed the housing agreement and had received a payment thereunder, that showed the payment was a profit arising from his office. The taxpayer contended that the money was not a reward for his services, and was therefore not a profit which arose from his employment.

Decisions in the Courts Below

The case first came before Upjohn, J. (36 A.T.C. 356) who took the view, later to be supported in the Appeal Courts, that the sum of money was not a profit arising from employment, and was therefore not liable to tax. The judge said that the housing agreement did not form any part of the employee's remuneration, nor did any payment made thereunder; nor was it an inducement held out to him to enter the company. The fact that the agreement was advantageous both to him and to the company was not conclusive of the matter at all. The payment, said his lordship,

'was in no true sense a reward for his services. It was an advantage to him but not, in my judgment, a profit'.

When the case came before the Court of Appeal (37 A.T.C. 205) it was held that no tax was chargeable because, although the agreement was made by the employee in his capacity as such, it was a genuine bargain with advantages to both parties, under which the employee gave good consideration for the benefits received. Accordingly it should be regarded as collateral and made for a consideration other than the employee's services. Jenkins, L.J., likened the transaction to one of insurance which could not bestow any profit on the employee, but merely protected him against any loss.

Parker, L.J., said in a dissenting judgment that in his opinion where an employee received from his employer a benefit in money or money's worth, such a benefit, to be a profit of employment, must have been received by him in his capacity of employee as a reward for services. On the facts of the case, his lordship thought that

there was no substantial consideration given by the employee apart from services, and that therefore the money should be taxable as a profit arising from employment.

In the House of Lords

The House of Lords followed the majority decision of the Court of Appeal. Dealing with the meaning of profits of employment and criticizing the definition thereof advanced by the Crown, Lord Denning said in a characteristic passage:

'I need hardly say that, if there were available to your lordships a definition of "profits", it would be a pearl of great price. But I am afraid that this pearl turned out to be cultivated and not real. It was culled from the cases and not from the statute. It did not survive the critical examination of your lordships. When subjected to close scrutiny, it was found to be studded with ambiguities and defaced by exceptions. It would, if accepted . . . introduce more confusion into a subject where enough already exists.'

The judgments given in the House of Lords are of particular interest because their lordships give examples of what might happen in other cases, and these observations, although strictly *obiter*, may provide useful guidance for the future. Thus, Lord Radcliffe suggested that a payment out of a provident or distress fund set up by an employer for the benefit of employees whose personal circumstances might justify assistance, would not be taxable as a 'profit arising' from employment. On the other hand, where an employer paid an employee's personal bills as part of his reward for services rendered, such payments would be taxable as a wage or profit under Schedule E.

Again, as Lord Denning pointed out, if an employer by way of reward for services agreed to indemnify his employee against losses on the stock exchange, the profits which the employee received under the indemnity would be taxable. But if the employee received money compensation for injuries received while at work, no one would suggest that that was a 'profit arising' from employment.¹

Past Decisions on the Meaning of 'Profits'

It may be of some value to review briefly certain of the past decisions bearing on the meaning of 'profits'. In most of them, the money received was held to be taxable, thus emphasizing how

difficult it is to escape the wide net flung by Her Majesty's Inspectors.

If the employer pays the employee's income tax for him, the amount paid is taxable, since the profits of an office include payment of an obligation to a third party (*Hartland v. Diggins* (5 A.T.C. 114)).

Where a lump sum is paid to an employee as a bonus for long service, that clearly arises from employment and is taxable accordingly (*Weston v. Hearn* (22 A.T.C. 240)).

There are also a number of cases where lump sums have been paid to company directors in varying circumstances. In the cases where the taxpayer succeeded, it could not be said that the payment was made in respect of his office. In *Nicol v. Austin* (14 A.T.C. 172; 19 T.C. 531) a company director continued to live in his own house at the request of the board; the company paid all the expenses in regard to the house, but this was held to be a profit of the employment.

In a case where employees were allowed to purchase shares at under market value on a promise that they would not realize them, the benefit thus conferred was held to be taxable (*Ede v. Wilson* (24 A.T.C. 116)).

Taxation of Gifts and Voluntary Payments

The general rule regarding the taxation of gifts and voluntary payments is that they are not, as such, assessable to income tax but when they are made by an employer or some other interested person with definite reference to an employment held by the recipient, then they are assessable (*Simon's Income Tax*, volume II, page 728). As the test is whether the voluntary payments are made to the recipient by virtue of an office which he holds, it follows that such payments will generally be liable to tax. This applies to such diverse subjects as the Easter offerings made to a clergyman, the profits of a benefit match paid to a cricketer, or to a footballer's benefit, and to taxi-drivers' tips (*Calvert v. Wainwright* (26 A.T.C. 13)). In the most recent case on this subject, *Wright v. Boyce* (37 A.T.C. 233), Christmas gifts and gratuities received by a professional huntsman were held to be taxable under Schedule E. The principles governing such cases are clear enough in law; it is the application of the principles to the facts of particular cases which often causes so much difficulty.

Since this article was written the case of *Wilkins v. Rogerson* has been reported (*The Accountant*, February 27th, 1960, page 237), wherein it was held that where an employer arranges for goods to be supplied free to an employee, it is the realizable value of the goods in the employee's hands which attracts tax. It will be interesting to see if this decision is taken to appeal. — Editor.

¹ Here a distinction is made between compensation for the personal injuries, and the damages for loss of earnings, actual or prospective. The Court must take the tax position into account when awarding damages for loss of earnings — *British Transport Commission v. Gourley* (34 A.T.C. 305).

Functional Cost Centre Analysis

by HAERY DUGDALE, A.A.C.C.A., F.C.W.A., A.M.B.I.M.

IN the process of installing management accounting techniques, one sector of the work requiring effective treatment is the classification of cost centres.

A definition of each cost centre's function and of its venue is a necessity in the early stages of installation. Adequate segregation must be obtained to provide cost control of a more detailed nature. That, in turn, will furnish a desirable basis of cost analysis enabling an extension of the comparison of actual performance with standard. Moreover, the ability to localize cost variations of an adverse nature is a valuable condition precedent to subsequent action. Thus, such variations may, by the cost centre basis of analysis, be related to specific venues.

Departmental Analysis Insufficient

Cost analysis in a multi-product industry reflects that for maximum control there needs be this breakdown of constituent expense and performance for testing against predetermined targets. Departmental analysis is insufficient – unless a department constitutes a sole cost centre. That this is so is evident when considering circumstances of, say, six cost centres located in one department. Adverse performance may occur in any one or more of these, and the means of its detection cannot be that of departmental analysis alone. Undoubtedly, a sound plan is first to ascertain performance in each specific cost centre and then combine the results to reveal the departmental performance.

Another factor which has had some bearing on the need for adequate cost centre classification is that of formulating manpower needs – establishing budgets for defined forms of expense – and formulating standard costs for particular processes in order that product standard costs can be subsequently made available on a basis reflecting the process-cycle followed by each product type. Thus, considering initially the factor of manpower needs, if an effective labour budget is to be forthcoming it must be systematically evaluated. This may be done by prescribing product process cycles; then, using the former in conjunction with the sales budget, establishing an estimate of the incidence of output required from each cost centre in meeting the demands of

the latter budget. At this stage, aided by work study data (if that be available), a standard tempo may be predicated and translated into terms of requisite labour-hours and number of personnel in each cost centre.

In the case of expense budgets, the desirability of using cost centres as the basis of computation, on consideration, appears evident. So far as is possible, expense should be first budgeted for cost centres and then – and only then – combined to produce budget centre expense totals. This procedure leads to greater precision in budgeting than that of specifying a total figure for each class of expense and then breaking it down to cost centres. In other words, the cause of each expense, in its cost centre incidence, must be recognized and used as the basis on which the relevant budgets are computed. (There are, of course, exceptions to this principle, where a 'global' figure is known at the outset, e.g. factory rates. In such cases the total amount will be allocated to budget and cost centres on an equitable basis.)

Classification Procedure

When establishing cost centres it is useful first to make a tour of inspection of the plant involved. During the tour the names of departments should be noted and the cost centres in each department classified. Additional data to be scheduled are those describing the number and type of machines in each department, and their functions.

If a scale plan of the factory is available it may be found of considerable use during the tour of inspection, each department being ticked off when it has been examined and the details of its cost centres noted. The tour should include all ancillary service departments, and their functions should likewise be scheduled for future reference.

The process cycle of each 'line' manufactured must be defined. As this involves the technological approach, it is essential that the company's technical production staff be fully consulted. They should be asked to specify the process cycle followed by each product in the manufacturing and packing departments. A process flow schedule can then be prepared for each product, to make available the correct basis for the subsequent preparation of product standard cost schedules.

The data of the process cycles must be that of the customary standard procedure in manufacturing each defined product, to ensure that the product standard costs are those for standard patterns of processing, i.e. they provide factual representation, in cost terms, of the actual manufacturing procedures involved in the day-to-day output.

Following the compilation of process flow schedules, it is useful to prepare a summary schedule listing all the manufacturing and packing cost centres, and showing, in vertical columns headed by product names, the use made of specific cost centres by each class of product. Subsequently, when the installation has reached a more advanced stage, it will be possible to record against each cost centre the relevant hourly rates for direct labour, variable overhead and fixed overhead. Mention of this point indicates the schedule's valuable ancillary information. Thus, it is possible to spot any cost centre through which a particular product does not pass. Any cost centre thus revealed as being utilized by some only of the whole range of products should be regarded as an essential one in the cost centre classification: its specific costs will require to be known for the build up of the total standard costs of such products as use it.

While many of the major cost centres are identifiable in an initial tour of a plant, there may be minor ones not so clearly recognizable at first sight and unaided by the data provided on the process flow summary schedule. A comparison of product process cycles will, however, reveal these minor cost centres and indicate their necessity in the computation of product standard costs.

Of course, if the use in manufacture of certain cost centres is observed to be markedly low, the management may consider whether such plant—with its idle capacity—should be retained, or whether the work could be performed more efficiently in other cost centres or sub-contracted.

Determining the Number of Cost Centres

An undoubted aid in cost centre classification is previous experience of the same work in similar plants, enabling a basic approach to be adopted.

If, however, the accountant has no previous experience in a particular industry there are still other aids which may be utilized. Fundamentally, there is the life-long experience of the plant's production executives, which is often made readily available when such co-operation is tactfully sought. Again, the manufacturing processes of

many industries are described and illustrated in a wide array of industrial textbooks. Such aids can be enlisted and found extremely useful. They should not, however, be allowed to take the place of the actual determination of cost centre venues and functions on the factory floor.

The greater the number of cost centres finally adopted, the more extensively analysed will be the comparison of actual performance with standard, but there are limits to which this analysis should be carried. What has to be considered, therefore, is the significance of each cost centre named on the classification schedule. Is it costly to operate, or the reverse? Are its man- and motive-power needs large or small? Does the process involve the use of materials? Where, on examination, the cost centre is obviously a minor one, must it be retained in the classification because of its use by some only of the products? Considerations such as these may enable the classification to be curtailed without any vital information being forgone.

Cost centres in which the highest hourly rates for direct labour and factory overhead are operating—data on these emerging later when budgets have been formulated and allocated to cost centres—may well be those in which the most serious effects follow adverse variations. It should be seen that all such major venues of processing are established as cost centres, so that continuous checking of actual with predetermined cost ensues to measure manufacturing efficiency. Minor cost centres may possibly be denied this treatment—if their minority is established by careful examination and they are utilized by some only of the range of products—and grouped instead, if the circumstances merit it, with related major cost centres.

Variation Summary

As a means of drawing attention to the significant cost centres, when their classification has been finally agreed upon, it is useful to schedule the data of their budgeted annual and hourly cost. This will emphasize the 'expensive' cost centres where continuous and firm control of overhead expense and direct labour—and of materials' cost—is imperative.

A monthly or four-week period summary should be prepared showing the total net variation in each cost centre, expressed both in money terms and as a percentage of the standard cost of the output achieved in that period. The data should also be prepared to show the cumulative aspect throughout the financial year. A continuous perspective may be thus obtained of the degree of efficiency

in performance and cost, not only factory-wide (i.e. when variations have been aggregated) but also in terms of each major cost centre. The information, if the greatest use is to be made of it in control, must prompt speedy and decisive action to deal with emergent adverse trends.

Fixed Overhead Recovery

In recent years the application of management accounting techniques has had a corollary in the appreciation not only of the value of possessing predetermined targets, but also of the need to link the latter with a planning of profit. Moreover, in the latter exercise the necessity to give recognition to fixed overhead as an inescapable factor in the profit equation has focused attention on a profitability basis composed of margin and fixed overhead recovered in the selling price of a product. Profit-minded management is concerned with fixed overhead recovery, which is a function both of volume and price. The degree of success or otherwise in recovering fixed overhead can have a marked effect on end-year results. But it is product selling prices attained which factually effects that recovery, and some products – by virtue of attracting more fixed overhead than others, as a direct consequence of passing through more costly process centre – may well be more successful profit-earners than others. In this connection, therefore, it is useful to reiterate that when cost centres have been classified, and when, subsequently, their budgeted hourly cost rates of operation have been computed, the fixed overhead element of the latter should be segregated. Procedure on these lines facilitates the showing, on product standard cost schedules, of the amount of fixed overhead included in each product's total standard cost.

A comparison of such data throughout the product range will reveal which products are providing the greatest recovery of fixed overhead; and the supplementary comparison should then be made to show the profit performance when the profit margin of each product is allied to its fixed overhead component. Information on these salient factors is of considerable importance in such matters as sales volume and product 'mix' in the sales budget, i.e. the most effective composition of specific products' sales, in total budgeted sales, to ensure the greatest overall profit. Obviously, the latter must take cognizance of fixed overhead recovery achievable if predicted selling prices are realized. Consequently, the sales 'mix' must be carefully devised – on an achievable basis, of course – with the object of maximizing fixed

overhead recovery in selling prices. Another important feature of these details of fixed overhead recovery is their use in product pricing considerations, particularly where, in competitive marketing conditions, a management has to decide which selling prices to cut, and how such cuts should be made.

Conclusion

Fixed overhead recovery is assessed, in a management accounting scheme, not only for its inherent worth as control data in measuring the degree of achievement of a profit plan, but also to act as the yardstick of any under-recovery (or, in favourable conditions, of over-recovery). Any variation under this heading is usually known as volume variance. Its amount, *in toto*, will appear in the short period profit and loss account as an accretion to, or a depletion of the profit earned. Such specific treatment focuses initial attention on its overall incidence. The latter is computed, however, as regards factory overhead, in terms of cost and budget centres. This, therefore, is specifically aided by properly classified cost centres. The total volume variance on factory overhead (such variance can, and does occur also on administration and marketing overhead) is composed of the several volume variances which have occurred in (possibly) a variety of manufacturing cost centres. As volume variance is a measure of idle capacity, the cost centre 'build-up' of fixed overhead recovery provides essential information to management as to where adverse trends or circumstances in this field arise. Action may be prompted along various lines by the availability of such knowledge, e.g. consideration given to eliminating surplus plant; or revisions made in the marketing plan together with – or distinct from – a restatement of pricing policy.

It is clear, then, that the device of cost centre classification is not only an imperative feature of a management accounting scheme, but one which may be put to an extended use in the hierarchy of control. It facilitates the preparation of definitive standard costs for both products and processes; it directs attention to the factor of fixed overhead – which may be of great moment in a concern's profitability; it enables an analytic appraisal to be made of processes and functions which recover that fixed overhead – and measures such recovery; and it provides information promptly to management of product profitability, in the field of fixed overhead, which may form the basis of accurate policies in the exigent circumstances of pronounced marketing competition.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CANADA

New Standard Audit Report

THE Canadian Institute of Chartered Accountants has recommended a new standard form of auditor's report closer to that used in the United States. The Institute's Accounting and Auditing Research Committee has changed its former opinion that, in the absence of disclosure to the contrary, conformity with generally accepted accounting principles and consistency in their application are implied and do not need direct reference. They now think disclosure by positive statement is more satisfactory and will bring about a greater awareness on the auditor's part, of the significance and importance of these matters.

While no reference is made in the new standard form to the auditor's having obtained all the information and explanations he has required, an added statement says: 'My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.' Also the words formerly used, and required by the Companies Act (Canada), 1952, to the effect that the balance sheet 'exhibits a true and correct view' are replaced by the opinion that 'the accompanying balance sheet and statements of profit and loss and surplus present fairly the financial position . . .'. The committee believes that the older expression 'might be interpreted as implying a degree of exactitude which is non-existent . . .'. The report concludes with the new reference to conformity 'with generally accepted accounting principles applied on a basis consistent with that of the preceding year'.

A Survey of Company Accounts

THE third edition of *Financial Reporting in Canada* issued (price \$5.00) by the Canadian Institute of Chartered Accountants is now available. This, it should be said at the outset, is a publication of outstanding merit. It tabulates the trends and developments in the form of financial statements as disclosed by the reports and accounts of 300 Canadian commercial and industrial companies for their fiscal years ending within the four calendar years 1955-58. The contents are divided into five sections—one dealing with general matters connected with the presentation of accounts and one each on the balance sheet, the profit and loss appropriation account, the profit and loss account and the auditor's report.

Similar compilations have been made elsewhere, most notably the annual *Accounting Trends and Techniques* produced by The American Institute of

Certified Public Accountants, but the unique value of this Canadian publication is that it not only analyses domestic techniques and practices but, in the accompanying narrative, contrasts them with methods current in Great Britain and the United States. It also makes frequent references to the varying statutory regulations of the three countries and to the pronouncements of their leading professional bodies. The symposium thus acquires an international character which demonstrates how extensive and thorough has been the reading undertaken for this task by the research staff of the Canadian Institute.

SOUTH AFRICA

Accountants' Conferences in 1960

ACCOUNTANTS in Southern Africa are choosing the Natal coast as the venue of their annual meetings this year. The thirty-first annual conference of The Institute of Municipal Treasurers and Accountants (S.A.) (Incorporated) is to be held in Margate, Natal South Coast, from April 4th to 7th. The preliminary conference brochure, which has just become available, shows that a very interesting as well as instructive programme has been arranged. The papers to be presented to the conference include the following: 'The financing of health services in South Africa', by Mr C. L. F. Borckenhagen, Chairman of The Local Authorities' Committee of the Institute and of The Transvaal Local Government Commission; 'The place of housing in the national economy', by Mr W. Buhrmann, chairman of the National Housing Commission; 'Planning for the decimal changeover', by Mr O. D. Gorven, B.COM., A.I.M.T.A.(S.A.), A.C.W.A., A.C.I.S., Deputy City Treasurer of Durban; and 'Capital financing by local authorities', by Mr John Ainsworth, M.B.E., M.COM., F.S.A.A., F.I.M.T.A., City Treasurer of Liverpool. The Institute of Municipal Treasurers and Accountants of the United Kingdom will be represented at the conference by Mr G. B. Esslemont, J.P., M.A., B.COM., LL.B., C.A., F.I.M.T.A., the President, and by Mr Ainsworth, the Honorary Treasurer.

Later in the year, from June 13th to 17th, the Second Congress of Chartered Accountants (South Africa and Southern Rhodesia) will be held in Durban, to coincide with the jubilee celebration of The Natal Society of Accountants. In addition to an excellent programme of social functions, the following papers and subjects of international accounting interest are to be submitted and considered by the congress: 'Modern trends in training for the accountancy profession', by Prof. K. F. Byrd, M.A., B.SC.

(ECON.), F.C.A., C.A.(S.A.), C.A.(CANADA), of Montreal; 'Accounting for the timely production of results', by Mr J. Harry Williams, C.P.A., of New York; and 'Auditing principles and standards', by Mr W. B. Danks, T.D., C.A., C.A.(S.A.) of Johannesburg. A trilogy entitled 'As others see us' will give a review of the accountancy profession by a business man, a banker and a lawyer. The papers will be followed by discussions in organized groups, after which there will be a general discussion led by appointed group leaders.

Developments in Hire-purchase Finance

AT the end of last year a Finance Houses Association of South Africa was formed, the chairman being Mr W. Laughton, of the National Industrial Credit Corporation Ltd, and the vice-chairman Mr L. Ward, of United Dominions Corporation (South Africa) Ltd. The eight foundation members of the Association now announced represent some £38 million of combined assets and include the following leading hire-purchase finance companies: The Colonial Banking and Trust Co Ltd (one of the oldest established deposit receiving institutions), The Credit Corporation of South Africa Ltd, The National Industrial Credit Corporation Ltd, The South African Motor Acceptance Corporation Ltd, The South African Scottish Finance Corporation Ltd, Trade and Industry Acceptance Corporation Ltd, United Dominions Corporation (South Africa) Ltd, and Western Credit (Africa) (Pty) Ltd (the local subsidiary of Western Credit of Plymouth, England). There are, however, two important absentees from the list representing the very considerable Afrikaner financial interests in this field. Firstly, there is the Trust Bank of Africa Ltd, the deposit-receiving institution associated with Federale Mynbou and Sanlam, and probably the largest of the finance companies; and secondly, Trans-Oranje Finansiering en Ontwikkelingskorporasie, a subsidiary of the Afrikaner commercial bank Volkskas.

The main object of the new Association is to provide a central organization to deal with matters of common interest to the finance houses, particularly in their approaches to the Government, to draw up a common form of hire-purchase agreement and to introduce a common form of ready-reckoner for monthly payments, finance charges and amounts outstanding. There will also be a pooling of information and it is expected that the recently formed Hire-purchase Information Company, which already has the support of about 70 per cent of the trade, will now receive the co-operation of the members of the Association.

The principal South African commercial banks, as well as some of those from the United Kingdom, have been steadily buying their way into the major hire-purchase finance companies. The Standard Bank of South Africa acquired for cash 40 per cent of the £1 million ordinary capital in the National Industrial Credit Corporation Ltd, a subsidiary of Mercantile

Credit of England in which the Westminster Bank and Martins Bank have a joint 20 per cent interest. This was followed by the formation of the South African Scottish Finance Corporation Ltd, in which the Netherlands Bank of South Africa, the Commercial Bank of Scotland, Lloyds Bank and the British Commonwealth Shipping Company (the holding company for the Union Castle and Clan Lines) each have an equal share. The same consortium also recently acquired 85 per cent of the ordinary share capital of the Credit Corporation of South Africa Ltd, until then the largest of the privately-owned local finance companies. The United Dominions Corporation (South Africa) Ltd, a subsidiary of the United Dominions Trust Ltd, of London, has been operating in the Union since 1937. However, during the past year it acquired another old-established finance company, with interests principally in the Cape, called Inter-Union Finance Ltd. It also increased its capital to £2.5 million in order to permit Barclays Bank D.C.O. and the Anglo-American Corporation of South Africa to subscribe for £300,000 each of the ordinary shares.

All the finance companies have shown in their latest accounts that they have substantially increased their turnover and profits during the past year. No doubt, these latest developments will greatly assist the anticipated expansion of the hire-purchase market generally, particularly now that credit restrictions have been relaxed and all control over lending by the commercial banks removed.

RHODESIAN FEDERATION

Spinning Mill Transferred to Private Ownership

AS from January 1st, the Lancashire textile firm of David Whitehead & Sons has taken over the activities of the Government-owned cotton-spinning mill at Gatooma, Southern Rhodesia, operated since 1943 by the Cotton Industries Board. The purchase price is said to be about £2 million and enables the Federal Government to recover all its capital advances to the board as well as all profits earned up to December 31st, 1958. David Whitehead & Sons already have a £750,000 weaving plant at nearby Hartley, Southern Rhodesia.

The cotton-spinning mill was established to spin locally-grown cotton and now provides yarn for a flourishing textile industry manufacturing a wide range of clothing for both export and home consumption. The new operating company is called Rhodesian Spinners and they have given a five-year undertaking to regard the supply of yarn to the Federal market as of first importance, promising that if supplies are insufficient they will divide that available equally among local users. The range of counts or qualities of yarn produced cannot be reduced except after consultation with users and after giving at least six months' notice.

The Institute of Chartered Accountants in England and Wales
RECOMMENDATION ON ACCOUNTING PRINCIPLES, No. 21
Retirement Benefits

The Council of The Institute of Chartered Accountants in England and Wales makes the following Recommendation to its members on the accounts of schemes for retirement benefits for employees and on the treatment, in the accounts of employers, of their obligations for retirement benefits. It is hoped that this Recommendation will be helpful to members in advising, in appropriate cases, as to what is regarded as the best practice. The Recommendation does not take into account any relevant consequences there may be as a result of the National Insurance Act, 1959, which is not yet in force.

THERE is great diversity in the nature and basis of computation of retirement benefits for employees and in the methods by which the funds to pay them are provided. No attempt is made in this Recommendation to review this complex subject in detail nor to make recommendations covering all the diverse arrangements which exist.

(2) Paragraphs 6 to 28 are concerned primarily with the main principles applicable to the accounts of a 'pension fund' by which is meant a retirement benefits scheme where the main purpose is to provide pensions for employees on their retirement, the contributions of the employer and the contributions (if any) of the employees being paid to trustees on whom rests the responsibility for investing the funds in order to provide the benefits as and when they become payable.

(3) Under such a pension fund it is not usually possible to calculate with certainty the contributions required in order to provide the benefits which will become payable according to the rules. The uncertainties arise from various causes: for example it is not possible to predict future interest rates nor is it possible to know what proportion of the members of the fund will reach retirement age or how long they will survive thereafter; in addition some pension funds provide for benefits to be based on salaries at or near to retirement instead of being related to salaries actually paid during each year of service. The uncertainties require to be examined periodically by means of an actuarial valuation to assess the state of the fund.

(4) Actuarial valuations are not required where the whole of the benefits is secured through the payment of premiums to an insurance company or where the scheme is of the provident fund type under which the contributions relative to each employee are invested to accumulate at interest until death or retirement, when the amount then accumulated is paid as a lump sum or used to purchase an annuity. The circumstances of the particular case will determine the extent to which this Recommendation is applicable to the accounts required for

a fully insured pension fund or for a scheme of the provident fund type.

(5) Paragraphs 29 to 34 concern the accounts of the employer and deal with the main principles applicable to the treatment of the employer's obligations for payment of retirement benefits, having regard to the nature of the arrangements under which those obligations arise.

Accounts of Pension Funds

(6) The object of a pension fund is not primarily to produce income by the employment of capital but to maintain a total fund sufficient to enable the benefits to be paid as and when they fall due. In consequence the accounts are subject to some important considerations which distinguish them from the accounts of other trusts and those of a trading company. In particular:

- (a) the distinction between 'capital' and 'revenue' does not normally arise
- (b) the accounting treatment of investments is governed by the fact that they may either be retained in order to augment the fund by the income therefrom or be realized for the purpose of paying benefits, the choice depending upon the circumstances of the particular fund at a particular time
- (c) the accounts can give a true and fair view of the movements in the assets of the fund during the year of account and of the disposition of the funds at its close (that is to say a record of stewardship) but where the benefits are not fully insured the accounts cannot give a true and fair view of the state of the affairs of the pension fund unless they are accompanied by appropriate actuarial information, since the ability of the fund to meet the benefits can be assessed only by actuarial valuation; the uncertainties involved in such a valuation may vary widely according to the nature of the fund and the manner in which the benefits are to be computed.

(7) Without appropriate actuarial information the accounts will not show the interested parties (the trustees, the members and the employer) whether the existing fund together with future contributions and investment income can be expected to be sufficient to pay the benefits as and when they arise or whether there is expected to be a deficiency which will require to be made good or which may reduce benefits, or a surplus which might be applied to the reduction of future contributions or to the improvement of benefits.

(8) If an actuarial valuation were made each year as on the accounting date then the accounts could be read in conjunction with that valuation. In this country however an annual valuation is not normally regarded as necessary; nor is it always practicable for the valuation as on a particular accounting date to be available by the time when it is desired to issue the accounts made up to that date. The normal practice is to have valuations made at five-yearly or other suitable intervals and to issue the annual accounts accompanied by appropriate actuarial information based on the latest available valuation.

(9) An actuarial valuation comprises estimates of the present capitalized value of (a) the benefits to be paid to those who are members of the fund at the date of the valuation and (b) the sums which are expected to be provided to meet those benefits by the investments and by further contributions. By comparing (a) with (b) the actuary is able to arrive at a 'surplus' or 'deficiency' on which he can then report with any observations it may be necessary for him to make regarding the adequacy of the contribution rates. In making his valuation the actuary has to make assumptions regarding the rate of interest to be earned, the salary progression of members of the fund where it is relevant to the basis on which benefits or contributions are computed, the withdrawal of members before reaching retirement age, and the expectation of life of the members in relation to death benefits and the duration of retirement benefits. The actuary must decide upon the rate of interest to use in calculating, for the purpose of his valuation, the present value of future contributions and of the benefits resulting from both past and future service; and he must also decide the basis on which to value the existing investments.

(10) The value which the actuary places on the investments will not necessarily be the same as the amount at which they are stated in the accounts as on the accounting date to which the valuation relates. The accounts are a factual record in which the investments need to be stated at amounts which will give a true and fair account of the stewardship of the funds up to the accounting date, whereas the actuarial valuation is an assessment of the ability of the fund to meet its future obligations. Such an assessment is necessarily based not only on the existing net assets but also on many assumptions about future events and in deciding what value to place on the investments the actuary will have regard to his assumptions

on matters such as the rate of interest to be earned and whether the incidence of benefit payments is likely to make it necessary to realize existing investments.

(11) In making an actuarial valuation the rate of interest used is a crucial factor. In deciding upon the rate the actuary is influenced by the known income from the existing assets and by the rate of interest which he expects the fund will earn on any new investments. The actual income from existing assets is not affected by a rise in interest rates and a corresponding fall in the market value of investments; but such a change will have the effect of increasing the rate of interest expected on new investments. The effect of such a change in relation to the actuarial valuation of any particular pension fund will depend upon matters such as whether the fund is expanding or declining and the length of the terms of redeemable investments compared with those of the liabilities.

RECOMMENDATIONS

(12) The following recommendations are made as an indication of the main principles applicable to the accounts of pension funds, *but they must always be considered in relation to the circumstances and rules of the particular fund.*

Form of accounts

(13) The accounts of a pension fund should normally consist of a balance sheet showing the amount of the accumulated fund and the net assets representing it, with appropriate actuarial information regarding the ability of the fund to meet its obligations. In the balance sheet or in supporting statements there should be suitable detail including in particular:

- (a) the amount of the fund at the beginning of the accounting period
- (b) the contributions, investment income and other amounts, such as net profits on investments, by which the fund was increased during the period
- (c) the benefit payments, refunds on withdrawal, expenses and other amounts, such as net losses on investments, by which the fund was reduced during the period
- (d) the amount of the fund at the end of the period.

(14) The term 'revenue account' is usually inappropriate for any part of the accounts of a pension fund. To attempt to distinguish in the accounts between 'capital' and 'revenue' is normally inappropriate since the object is not to maintain an income-producing capital fund but to maintain a total fund sufficient to enable retirement benefits to be paid as and when they fall due. The distinction may however have to be made where a minimum rate of interest has been guaranteed or where benefits are directly related to the income earned on the accumulated funds.

Accounting treatment of investments

(15) Practices in stating investments in stocks and shares and similar securities differ, but whatever may be the practice adopted it should be followed consistently. The bases most commonly used are:

- (a) at cost less provision to reduce to market value; the amount of the provision should be disclosed and if the provision is calculated by method (a) in paragraph 17 the aggregate market value should be shown by note
 - (b) at cost less provision to the extent (if any) considered necessary for diminution in value, the amount of any such provision being disclosed and the amount of the aggregate market value being shown by note together with an explanation of why it is considered unnecessary to make full provision to reduce cost to market value (for example, where some investments are in Government stocks having a redemption date and the view is taken that there is no likelihood of a sale of those investments before the redemption date); such explanation should be so presented that attention is drawn to it in relation to the amount of the accumulated fund and in relation to the investments, for example by a note to which specific reference is made against the accumulated fund and against the investments
 - (c) at aggregate market value on the accounting date, whether above or below cost, the difference between the aggregate market value and the aggregate cost being dealt with as indicated in paragraph 23; this basis should not be used unless the investments are readily marketable.
- (16) 'Cost' should be the actual cost of the investments held at the accounting date. Where sales or conversions have taken place the profits or losses thereon should be taken up in the accounts so that the investments currently held are stated at their cost, not the cost of the investments they have replaced.

NOTE: Where it is the practice to deal with income on a redemption yield basis, by adjusting the investment income for the period by the appropriate proportion of the discount or premium at which the investments were bought, this involves for balance sheet purposes the inclusion of the investments at cost increased or, as the case may be, reduced by the proportion to date of the amount by which redemption value exceeds or falls short of cost. With appropriate description this treatment may be regarded as 'cost' for the purpose of the bases referred to in paragraph 15.

(17) 'Market value' on the accounting date should be the market value of quoted investments and the estimated current realizable value of unquoted investments. A provision made under (a) of paragraph 15 may be computed either:

- (a) by comparing the cost of each investment with its market value and providing the full diminution in value of those investments which have diminished in value without taking into account any appreciation in value of other investments; or

- (b) by comparing the aggregate cost of the investments held or of appropriate groups of them with their respective aggregate values.

(18) As stated in paragraph 14 it is normally inappropriate to attempt to distinguish between 'capital' and 'revenue'. Accordingly the purchase and sale prices of investments should not normally be adjusted for income accrued; similarly, income from investments should not normally be adjusted by reference to the amounts accrued at the beginning and end of the accounting period. These adjustments may however need to be made where a minimum rate of interest has been guaranteed or where benefits are directly related to the income earned on the accumulated funds.

(19) Where a pension fund which is not a fully insured scheme holds investments consisting of endowment assurance or deferred annuity policies they should normally be stated in the accounts on one of the following bases:

- (a) at cost (that is to say, premiums paid on policies currently held) less provision for any loss which it is expected will be incurred through surrender of any policies in exchange for amounts lower than cost

- (b) at surrender value, the difference between cost and surrender value being reflected in the amount of the fund.

(20) Other investments, such as freehold and leasehold properties, should normally be stated in the accounts at cost less provisions for depreciation, amortization and diminution in value.

(21) The descriptions used in the accounts for the various types of investments should make clear the bases on which they are stated; the effect of any change of basis should be indicated if material.

(22) Realized profits on investments should be added to the accumulated fund or shown in a separate reserve account. Realized losses and provisions for expected losses, diminution in value, depreciation and amortization should be deducted from the accumulated fund or, where applicable, the reserve account.

(23) Where the investments are stated in the accounts on the basis referred to in (c) of paragraph 15 (market value, whether above or below cost) the accounting treatment referred to in paragraph 22 may be applied to the unrealized appreciation or depreciation of the investments held on the balance sheet date. It may however be convenient to keep this unrealized difference between cost and market value distinct from the remainder of the accumulated fund. In that event the difference should be shown (with appropriate description and disclosing the change in market value during the period) as a separate addition to or deduction from the accumulated fund, realized profits and losses (meaning the surplus or deficiency of proceeds compared with cost) being taken up as such in the accounts and eliminated from the unrealized difference as and when investments are sold.

Ability to meet obligations

(24) The accounts of a pension fund should be accompanied by sufficient actuarial information to show whether the fund is likely to be able to meet, as they fall due, the obligations to existing members and beneficiaries if future contributions are made on a specified basis and the expected accretions from investment are achieved; such information should indicate, where applicable, any special contributions which may be necessary to ensure the adequacy of the fund. If the actuarial information is given otherwise than by note on or appendix to the accounts (for example, if it is given in or with an accompanying report by the trustees) the accounts should indicate where the information is given.

(25) The actuarial information referred to in the preceding paragraph may be given either by means of the actuary's report or in a statement in terms agreed with the actuary. A concise statement by way of note on or appendix to the accounts will normally be the appropriate method; such a note should relate specifically to the position disclosed by the latest available actuarial valuation, indicating the date as on which it was made and any action taken thereon. The note should indicate the period which elapses between valuations.

(26) Developments since the last valuation may make it necessary to ascertain from the actuary whether the position disclosed by that valuation has changed to such an extent that it would be misleading, without further comment, to base on that valuation the actuarial information given with the accounts. Examples of such developments are a substantial fall in the value of investments or in the yield therefrom, a material change in the nature of the membership of the fund, a significant degree of inflation affecting a fund based on salaries at or near to retirement date, or a failure to comply with the rules of the fund or the recommendations of the actuary.

(27) If it appears that the assumptions which underlie the actuarial information given with the accounts may be nullified (for example, an indication by the employer of his intention to discontinue his contributions or to close the fund, or inability of the employer to meet his obligation under a guarantee to maintain the solvency of the fund or its rate of accumulation) the appropriate factual information should be furnished with the accounts so that a true and fair view may be given.

(28) If the requisite actuarial information cannot be given, for example because an actuarial valuation is due but not yet available or because there has not yet been an actuarial valuation of a recently established fund, the facts should be stated.

Accounts of the Employer

(29) The full extent of an employer's contractual obligations for payment of retirement benefits to employees needs to be reflected in the employer's

accounts. For this purpose it is not sufficient merely to charge against revenue the normal payments made during the period by way of premiums to insurance companies or contributions to a retirement benefits scheme. It is necessary to consider all aspects of the employer's contractual obligations including any guarantees given by the employer and commitments in relation to back service. It is therefore essential to examine the terms of the trust deed or other contract under which the obligations arise and to consider also the latest available actuarial information regarding the adequacy of the funds of any retirement benefits scheme.

(30) The fact that benefits are provided by the payment of premiums to an insurance company will not relieve the employer of all further responsibility unless the benefits are fully insured. For example, if an employer is under contractual obligation to pay retirement benefits based on salaries at or near to the date of retirement the only method by which such benefits can be insured is under policies on which premiums are adjusted periodically in the light of salaries then being paid; any increase in premium resulting from such a review necessarily includes a back service element the amount of which can become material as retirement date approaches.

(31) The recommendations made below are intended as an indication of the main principles applicable to the accounts of any employer who has responsibilities for employees' retirement benefits. Where the employer is a company the recommendations are not concerned with the statutory obligation to disclose the aggregate amount of directors' or past directors' pensions and to include contributions to pension schemes in the aggregate amount of directors' emoluments; nor are the recommendations concerned with the provisions of the Income Tax Acts which determine the admissibility of contributions as deductions in computing profits or in certain cases the treatment of contributions or accruing benefits as emoluments of directors and others.

RECOMMENDATIONS

(32) In the preparation of the accounts of an employer who is under contractual obligation to provide or contribute towards retirement benefits for employees, due consideration should be given to all aspects of that obligation in addition to the normal charge against revenue in respect of insurance premiums or contributions to a scheme. In particular:

- (a) where the employer has given a guarantee (for example, to maintain the solvency of the scheme or to ensure a minimum rate of interest on or rate of accumulation of the funds) there should be an appropriate note on the accounts if the amount is or may become material in relation to the accounts of the employer; in view of the effects of inflation special consideration of this matter is necessary where benefits are based on salaries at or near to retirement date
- (b) where there is an obligation to provide retire-

ment benefits which are not covered by contributions to a retirement benefits scheme (for example benefits to which employees will be entitled under individual service agreements or their general terms of employment or by way of supplement to insured benefits) provision should be made therefor if the amount is material; if provision is not so made the position should be stated by note.

(33) Where an employer has made or is under obligation to make, either in respect of back service or to make good deficiency, a special contribution (whether by single payment or by a series of annual payments) the amount of which is material in relation to the accounts of the employer:

(a) where the special contribution has been paid in full during the year the amount should be disclosed and if any part of it is being carried forward for charging against future revenue this should be made clear in the accounts for that year and in the accounts of subsequent years in which any balance is carried forward

(b) where the whole or part of the special contribution has not been paid the full amount should be disclosed in the first accounts issued after the need for the special contribution became known and the liability for the unpaid amount

should be provided for in those accounts and in the accounts of subsequent years until discharged; if provision is not so made the position should be stated by note, notwithstanding that the employer may have the right to discontinue his contributions or to close the fund

(c) if the amount provided in respect of the special contribution has been reduced by the potential saving of tax this fact should be made clear.

(34) Where it is the policy of an employer to pay retirement benefits to employees or their dependants although under no contractual obligation to do so, this expense can be dealt with either by charging against current revenue the retirement benefits payable or by setting aside amounts against which to charge retirement benefits as they become payable in the future. Whichever method is adopted should be used consistently. If the method used is to set amounts aside it is desirable that these should be computed on a consistent basis by making each year an estimate of the benefits which are likely to become payable in the future as a result of service during that year. (The recommendation in paragraph 32 (b) would however apply where a retiring allowance, though made voluntarily, has been granted in such a way that its continuance constitutes a contractual obligation.)

Weekly Notes

Expansion Break Through

AT the beginning of this week it was announced that the level of industrial production in January was 10 per cent above the corresponding figure for January 1959. This jump has been possible to a large extent by the steady progress in industrial output of the closing months of last year. In the *Bulletin for Industry* for February, the Information Division of the Treasury makes an analysis of the expansion which took place in industrial production in 1959. It points out that last year there was a significant increase in output but not a phenomenal one.

Comparing the third quarter of 1959 with the same quarter of 1958, the industries to show the largest expansion were timber (including furniture), chemicals, clothing and textiles, vehicles, bricks and pottery. The poorest showing was made by ship-building (including marine engineering) which actually recorded a decline in output over the period, and the second lowest performance was put up by coal-mining where there was no change in output over the two periods although it actually declined compared with the corresponding period of 1957. The biggest increases were in chemicals and vehicles.

An estimate is also made in the bulletin of the

source of the demand which stimulated these increases. A table shows that the largest stimulus came from consumers' expenditure followed by fixed investment, notably in the public sector, and then by a much smaller increase in exports. About three-fifths of the additional demand was met by home-produced goods and services and about two-fifths by imported goods and services.

Budget for the Workers

THE Trades Union Congress has sent a memorandum to the Chancellor of the Exchequer on the coming Budget. It suggests that there should be a public inquiry to show how bigger exports may be achieved. It also argues for setting up Export Promotion Councils and the encouragement of investment of the right type in the right place. The T.U.C. think that the Government should build and, if necessary, operate factories to deal with the unemployment problem in certain areas if private industry will not move there of its own accord. It is in favour of the Government renewing its pressure for price cuts and thinks also that it should reduce purchase tax on clothing and other essentials. In the view of the T.U.C., higher productivity can make possible higher pay and lower prices now. The needs of old-age pensioners should be put ahead of tax concessions for the well-to-do. It considers that money must be found for education and for the development of nationalized industries and public services as well as for private industry.

The big point of departure in the T.U.C. document compared with the general run of opinion and advice at the present time on the 1960 Budget is the insistence on the need for a continuing expansionist policy. Most informed opinion has come down in the last few weeks in favour of a cautious attitude on Government expenditure in view of the very large commitments which already have to be met, not only in defence but also in increased outlay on civil expenditure in which assistance to industry (including the cotton reorganization scheme and the redeployment of the new capacity of the motor industry) loom large.

The T.U.C. is also clearly keen on the establishment of committees to aid the export drive. There is no doubt that excellent committee work on this has been done in the past but not everyone will agree that 'selling by committee' is an alternative to lower costs, lower prices, good servicing and good salesmanship on the spot.

Statistics of Inland Goods Transport

A NEW monthly indicator of the volume of inland goods transport in Great Britain has been prepared by the Ministry of Transport. It will henceforward appear regularly in the *Monthly Digest of Statistics*. Reference has already been made in 'Weekly Notes' (January 30th issue) to the assessment made by the Ministry of the volume of road and rail traffic carried in 1957, and to the estimates made in Mr K. F. Glover's paper to the Royal Statistical Society, of road and rail traffic in the years 1951 to 1959. This new index was first quoted in Mr Glover's paper—it relates to each month from the beginning of 1958. By associating the sample inquiry into road transport, which was held in the week ending April 27th, 1958, with the continuous series of manual counts of the numbers of vehicles passing fifty selected points on the trunk and classified roads system of Great Britain, a monthly indication of the volume of road transport can now be obtained. Statistics of rail transport of goods have long been available.

The Ministry of Transport consider that this new index is of importance both from the point of view of measuring changes in the volume of goods carried by road and rail and from its use as an indicator of the level of economic activity. As such, it is most valuable since it is likely to be available about the end of the third week of the month following the month to which it refers. No other economic indicator of similar coverage is ready as early as this.

The index is based on monthly average 1958=100 and indices are calculated for road transport, rail transport and the combined total of the two. As an absolute measure for use as the base to the indices it is stated that in 1958 the estimated total ton-mileage carried by road was 23.1 thousand million, and by rail, 18.4 thousand million. For 1959, the road transport index works out at 107½, the rail index at 96½, and the total 103.

When are Premises 'Occupied'?

A SOMEWHAT Gilbertian situation in relation to rating in Scotland was ended by the House of Lords on February 18th when they allowed the appeal of Arbuckle Smith & Co Ltd, of Mitchell Street, Glasgow, from a decision of the Court of Session that they were obliged to pay rates of £2,141 13s 4d for a period in 1957-58 on a warehouse in Greenock. The company purchased the premises in 1957 for use as a bonded store for spirits but it was not possible to use them for this purpose until the Customs and Excise Department had given approval, and this approval could not be obtained until certain alterations were carried out in accordance with Customs and Excise requirements. The alterations were begun on March 3rd, 1958, and completed on June 17th, 1958, when approval was obtained and the premises began to be used.

Liability to rates depended on the company being the occupier. Section 379 (1) of the Local Government (Scotland) Act, 1947, defines 'occupier' as meaning the tenant or subtenant or any person in the actual occupation of the land. The Lord Chancellor, giving the first opinion (as reported in *The Times* of February 19th), said the sole purpose of the company was to use the premises as a bonded warehouse. The alterations were necessary in order to achieve that purpose. Activity carried on in relation to premises, the sole object of which was to make them fit for the only use contemplated, did not amount to the kind of actual user which was essential to rateable occupation. So long as the activities were confined to making the premises fit for a contemplated purpose, the premises were not serving the company's purposes as warehousemen. They were in an antecedent stage. Under rating law it was open to the owner to sterilize property—whether by leaving a house without furniture or otherwise—which was perfectly capable of being let for a valuable rent. If there was no use of premises according to their nature, his lordship found it difficult to see how there was occupation attracting liability for rates. The other learned law lords concurred.

The case may well have repercussions on income tax under Schedule A.

Report on Fertilizers

THE Monopolies Commission recently reported on the subject of chemical fertilizers.¹ The terms of reference were drawn up in October 1955 and the report was completed in July 1959. It is not surprising, therefore, that the company whose affairs are the main subject of the report has already taken action on the more important of the report's two recommendations.

The fertilizer industry in this country has a long record of difficult trading conditions and restrictionism. A good deal of the report deals with the pricing practices of the companies concerned. The Com-

¹House of Commons Paper 267. Session 1958-59. H.M.S.O. Price 10s 6d.

mission does not like I.C.I.'s method of asset valuation for arriving at selling prices and the same is true of Fisons' formula of historical costs of fixed assets less depreciation. It prefers straight historical cost so that the profits of the companies concerned can be compared with one another and with industry in general.

The Commission finds that I.C.I.'s activities have not been against the public interest as regards prices and it considers that Fisons' monopoly, as such, is

not against the public interest although that company's prices for superphosphates and compounds have been against public interest in the past. Fisons' have accepted the Commission's criticisms of its past pricing policies, and prices have been lowered. The majority of the Commission approve of the uniform delivered pricing system used in England and Wales, but Professor G. C. Allen is against this form of subsidy to outlying farmers and favours ex-works prices instead.

This is My Life . . .

by An Industrious Accountant

CHAPTER 14

OUR personnel director, Prinny, is in the news again. He made the oldest mistake in the world: he was talking when he should have been listening.

He had this bright modern idea of maintaining close contact with the junior staff, replacing our firm's Victorian tradition that they be seen but not heard. He should have realized that the teen-age generation is really incomprehensible to its elders.

He had started a new scheme of staff evaluation charts which were undoubtedly excellent in theory. They included lengthy and complicated questionnaires, ranging from the factual ('age at death and cause of death of father . . . of mother') down to the analytically psychological: ('potential character development relative to performance . . . express as a percentage'). The final assessment was shown as a coloured 'box' round the employee's name on each departmental chart, and was kept highly confidential.

Unfortunately, the office manager came in while Prinny had the chart open. An old hand, the office manager has perfected the trick of talking volubly while reading the other man's documents upside down. Also, he gossips discreetly, and now my secretary is inquiring indignantly why her blue 'box' has a black stripe, while the head typist has a red 'box' with two asterisks. So much for 'highly confidential'.

Prinny's other gimmick is to interview daily all staff who have been reprimanded. Yesterday he was seeing some erring counter assistants when a pretty youngster entered his room. She explained in some embarrassment that one of our customers, a wealthy and well-connected widow with the morals of Lady Macbeth, was most annoyed over a mis-handled order: said, too, she'd been cheeked, and the assistants were slack and incompetent. . . .

Prinny jumped the gun. Postprandially brandied, he failed to appreciate the significance of the girl's dress and manner, and rushed to reassure her. 'I am sure it was not your fault,' he commenced benevolently. 'Lady M. is an unreasonable old battle-axe.'

He was in full spate when the visitor interrupted heatedly that Lady M. was her aunt, that they'd both been insulted by a cheeky assistant, that she'd tell her aunt at once. . . . And so on.

A better strategist might yet have saved the day, but not our Prinny. He blustered too soon and appealed too late, and within minutes Lady Macbeth was demanding to see the managing director.

That was where I came in. Summoned urgently to the board room, I found the M.D. sitting nonchalantly on the big table, swinging one leg. 'Perhaps you'd better see Lady M. immediately, Mr Secretary,' he said suavely. 'We can rely on your well-known discretion to pacify her.' His cold eye flickered ominously at Prinny, who sat by, purple-faced. 'Tell her the personnel director is suffering from nervous strain and has gone home.'

Feeling like the Light Brigade at Balaclava, I put on an act with our redoubtable customer. Bluff hearty stuff; misunderstandings, apologies. Ultimate appeasement.

Paradoxically, I was nettled afterwards by the managing director's congratulations on my success. He's never complimented me on my accounts. Is there a moral here for the accountant in the fact that a plausible tongue is more valuable to the industrialist than professional competence?

* * * * *

Nettled again when the office manager came in after lunch. A narrow-minded old bachelor, obsessed with his own righteousness, he is convinced that no one ever works as hard or as efficiently as he used to in his youth. His constant reiteration of this sentiment has obviously soured most of his junior staff.

He had just found the comptometer-room staff in an ecstatic and noisy huddle, all machines idle, and was angrily demanding reprimands and de-motions. He brushed aside as trivial the reason for the uproar. Little Miss Mouse, after twenty years on a comptometer, had suddenly flashed an engagement ring.

I tried to calm him with psychological explanations, that diamonds react on typists like double brandies on hook-keepers, and advised him to overlook it. Unfortunately, he's a teetotaller, and now thinks very poorly of my ability to maintain discipline.

* * * * *

St Paul recommends that we be all things to all men. It's not always that easy.

Finance and Commerce

Bass Capitalization

THE reprint this week, from the accounts of Bass, Ratcliff & Gretton Ltd, provides a background to an operation that is probably unique in company administration. The accounts were actually published last December. The capital item, it will be seen, shows that £268,871 of the £2,235,640 of ordinary stock is held by a subsidiary, a situation that arose when Worthington & Co came into the group. This internal holding of the equity has until now formed an effective barrier against the bringing of issued capital into line with capital employed, with the result that a substantial retention of profits has had to be left piled up under the reserves.

Sir P. J. Grigg, the chairman, drew attention in his statement with the previous accounts to the fact that in three years to September 30th, 1957, the group had spent £3½ million on capital account and the notes on the accounts now presented show contracts for capital expenditure of £520,000 against £726,600 a year previously.

Standing in the way of a capitalization of reserves has, of course, been Section 27 of the 1948 Companies Act which bars the allotment of shares, even shares arising from a capitalization of reserves, to a subsidiary company.

Solution

The problem has now been solved in a manner that not only capitalizes reserves but also raises further cash resources for the business. The reserve capitalization lifts £4,471,280 from reserves into the capital item and gives two new shares for each share held except for those shares held by the Worthington subsidiary.

The new capitalization shares attributable to the Worthington holding have instead been allotted to a merchant banking and issuing house to be turned into cash. Of the 2,150,968 5s shares so allotted, 1,966,769 shares are the subject of a rights offer to non-Worthington shareholder. On the basis of one for every £1 stock held at a price of 22s 6d. The remaining 184,199 shares have been placed by the issuing house at the same price.

The scheme not only had the merit of simplicity but also gave existing holders outside the group a valuable entitlement to take up more shares for cash.

Peachey Interim

THE interim report recently published by The Peachey Property Corporation Ltd, running to ninety-odd quarto pages of glossy paper, must have cost a lot of money. But it is money well spent. It has given shareholders and the property world a very close picture of what this important property company

is and holds and equally, if not more, important, what its future is likely to be.

'In our opinion', state the joint managing directors, 'the new controlled rents on houses and maisonettes, after allowing for repairs and insurance, still average only approximately one-third of full open market rental.'

Most of this quarter-inch thick book is filled with very attractive pictures of houses and properties, their location, number held, and rental particulars. In Birmingham, the holding is 525 houses, their estimated average controlled full repairing and insuring rent ranging between £48 and £56 per annum. Their average open-market full repairing and insuring rent ranges between £182 and £208 per annum.

In Romford, Essex, a London 'dormitory', where the holding is 148 houses, the figures respectively are £54 to £63 per annum and £208 to £260 per annum; in Northenden, Manchester, where 82 houses are held, £56 to £61 per annum and £156 per annum.

Accounting Problems

Pages of schedules summarize the position. One of them brings in the properties from 160-odd districts in a thirteen-column analysis, the three most important columns being on a blue background. The sum total of the 'blue columns' is that the full rent receivable adds up to £404,714, the net full repairing and insuring rent receivable is £388,636 against an open market value of £831,967.

Peachey, now the main subsidiary, since the merger with Bell London & Provincial Properties, owed its success to 'wholesale' bulk buying of housing estates and retail selling of individual units 'on extremely fair terms, including, in suitable cases, 100 per cent mortgages to sitting tenants, at figures well below vacant possession value'. The new policy of the group aims mainly at rental income and, states the report, 'we have launched a drive to improve rents as far as we are able, using the existing administration'.

On the accounting aspect, the report comments that 'the problem of accounting has been a serious one for us. Over the past six years or so, our expansion has been so rapid that it has outstripped the administrative machine, although we have done our best year by year to meet this problem. We have literally hundreds of small subsidiary companies. This gives rise to problems in consolidating accounts resulting in unavoidable delays as far as audits are concerned'.

On the property side, the report is a reminder of the artificial conditions created by nearly half a century of rent restriction.

THE BASS GROUP

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 30th SEPTEMBER, 1959.

STATEMENT OF PROFIT		1959	1958
TRADING PROFIT BEFORE CHARGING LOSS ON STOCKS ARISING FROM REDUCTION IN BEER DUTY		£3,258,487	£2,882,017
Charged in arriving at Trading Profit			
1958	1959		
DEPRECIATION			
Freehold and Leasehold Land and Buildings:			
Brewery Premises, Maltings, Factories and Stores	£32,841		
Licensed and Unlicensed Properties	15,087		
Plant, Equipment and Vehicles	490,586		
	£538,514		
MINOR ALTERATIONS TO PROPERTIES AND PLANT AND ADDITIONAL EQUIPMENT			
	£121,920		
PENSIONS AND RETIRING ALLOWANCES			
	£84,986		
REMUNERATION OF DIRECTORS OF BASS, RATCLIFF & GRETTON LTD.			
For Services as Directors	£9,729		
For Services as Executives	35,188		
Retiring allowances	6,752		
£7,750			
33,083			
1,000			
DISPOSAL OF PROFIT			
SUBSIDIARY COMPANIES			
Transfers to Reserves	£264,472		
BASS, RATCLIFF & GRETTON LIMITED—			
Transfer to Reserve	£592,500		
Dividends paid and proposed:			
Preference dividend for the year, less tax	£1,013		
Interim dividend on Ordinary Stock (10%), less tax	£136,933		
Proposed Final dividend on Ordinary Stock (47½%), less tax	£50,432		
	£787,365		
Less: Dividends on Ordinary Stock of Bass, Ratcliff & Gretton Limited held by a Subsidiary Company and included in the profit of that Company out of which its dividends are payable to Bass, Ratcliff & Gretton Limited		94,693	
		692,672	
			£1,000,163
			520,210

THE ACCOUNTANT

March 5th, 1960

<p>Add: INCOME FROM INVESTMENTS:</p> <p>Trade £94,260</p> <p>Other.. .. . 67,989</p>	<p>85,471</p> <p>142,913</p>
<p>Deduct: INTEREST PAYABLE:</p> <p>Debenture £162,547</p> <p>Other.. .. . 6,741</p>	<p>228,384</p> <p>£3,110,401</p>
<p>GROUP PROFIT FOR THE YEAR BEFORE CHARGING LOSS ON STOCKS ARISING FROM REDUCTION IN BEER DUTY AND TAXATION</p> <p>Deduct: LOSS DUE TO REDUCTION IN BEER DUTY</p>	<p>162,249</p> <p>£3,420,736</p>
<p>Deduct: TAXATION BASED ON THE PROFIT FOR THE YEAR: (Note 6 on page 284d)</p> <p>Income Tax £124,520</p> <p>Profits Tax 312,425</p> <p>Less: Relief attributable to Investment allowance £1,557,626</p>	<p>171,850</p> <p>£2,938,551</p> <p>£2,938,551</p>
<p>GROUP PROFIT FOR THE YEAR AFTER TAXATION</p> <p>Add: PROVISION FOR TAXATION NO LONGER REQUIRED</p>	<p>1,348,473</p> <p>347,075</p> <p>1,695,550</p> <p>437,500</p> <p>£1,631,800</p>
<p>GROUP PROFIT FOR THE YEAR AFTER TAXATION</p> <p>Add: TRANSFERS TO OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES:</p> <p>Transfers to Reserves £1,288</p> <p>Dividends, less tax 43,084</p>	<p>1,286,751</p> <p>4,140</p> <p>1,290,891</p>
<p>GROUP PROFIT, AFTER TAXATION, ATTRIBUTABLE TO BASS, RATCLIFF & GRETTON LIMITED</p>	<p>1,454</p> <p>40,451</p> <p>1,494,342</p>

THE BASS GROUP

(See page 12 - (Not reproduced. - Editor.))

CONSOLIDATED BALANCE SHEET 30th SEPTEMBER, 1959

SHARE CAPITAL AND RESERVES		1959		1958		REPRESENTED BY	
		£	£	£	£		
I. ISSUED SHARE CAPITAL OF BASS, RATCLIFF & GREYTON LIMITED							
£1,360,000 5 per cent. Cumulative Preference Stock	1,360,000						
£2,235,640 Ordinary Stock	2,235,640						
100,000 4% Cumulative Preference Stock	100,000						
	1,966,769						
		3,326,769					
II. RESERVES ATTRIBUTABLE TO MEMBERS OF BASS, RATCLIFF & GREYTON LIMITED (Note 1 on page 284)							
CAPITAL							
Share Premium Account	218,720						
General	4,575,158						
	4,793,878						
REVENUE	8,655,634						
	13,449,512						
III. AMOUNTS SET ASIDE FOR FUTURE TAXATION							
Income Tax Schedule D 1960/61	1,108,104						
Capital Allowances Equalisation Account	778,060						
	1,886,164						
IV. FIXED ASSETS (Note 2 on page 284)							
V. GOODWILL AND TRADEMARKS							
VI. TRADE RECEIVABLES, DEBTORS, PREPAYMENTS AND TRADE LOANS, LESS PROVISIONS							
VII. CURRENT ASSETS							
Stocks	3,837,258						
Debtors and Prepayments	2,411,812						
British Government Securities at Market Value	562,824						
Sinking Fund Policies	8,021						
Tax Reserve Certificates	787,100						
Bank Balances and Cash	1,886,795						
	9,493,810						
VIII. LESS: CURRENT LIABILITIES							
Creditors, Accrued Charges and Customers' Deposits	3,209,293						
Taxation including Income Tax 1959/60	1,526,407						
Proposed Final Dividend, less amount payable to a Subsidiary Company	572,207						
	5,307,907						
NET CURRENT ASSETS							
	4,185,903						
IX. DEDUCT: DEBENTURES							
Bass, Ratcliff & Greyton Limited	2,639,069						
Subsidiary Companies	1,382,314						
	4,021,383						
X. DEDUCT: INTEREST OF OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES							
Holdings of Preference Shares	1,277,207						
Holdings of Income Stock	22,248						
Holdings of Ordinary Shares	21,585						
Proportion of Reserves (Note 1 on page 284)	47,176						
	1,368,216						
APPLICABLE TO STOCKHOLDERS OF BASS, RATCLIFF & GREYTON LTD.							
	£18,662,445						
	£17,855,581						

THE BASS GROUP
NOTES ON THE ACCOUNTS

BASS, RATCLIFF & GRETTON LTD.

1. Reserves

BASS, RATCLIFF & GRETTON LTD.

THE BASS GROUP

**Attributable to
Outside Shareholders in Subsidiary Companies
Revenue**

	Capital		Revenue	Members of Bass, Ratcliff & Gretton Limited		Attributable to Outside Shareholders in Subsidiary Companies Revenue
	Share Premium	General		Share Premium	General	
(i) Balances at 30th September, 1958	£	£	£	£	£	£
	218,720	3,492,050	5,599,302	218,720	4,555,748	8,485,702
Add:						
(ii) Surplus on Realisation of Assets	—	4,736	1,432	—	19,410	3,920
(iii) Discount on Redemption of Debentures	—	—	7,826	—	—	7,967
(iv) Provisions no longer required	—	—	2,600	—	—	5,217
(v) Transfers from Profit and Loss Account	—	—	592,500	—	—	858,972
	218,720	3,496,786	6,203,660	218,720	4,575,158	9,359,778
Deduct:						
(vi) Transfers to Capital Allowances Equalisation Account	—	—	297,402	—	—	669,771
(vii) Exceptional Depreciation	—	—	—	—	—	34,373
(viii) Balances at 30th September, 1959	£218,720	£3,496,786	£5,906,258	£218,720	£4,575,158	£8,655,634

2. Fixed Assets

BASS, RATCLIFF & GRETTON LIMITED

Freehold and Leasehold Land and Buildings:—
Brewery Premises, Maltings, Factories and Stores
Licensed and Unlicensed Properties
(Certain of the Properties included under this heading are the subject of Claims for War
Damage Compensation)
Plant, Equipment and Vehicles

THE BASS GROUP

Freehold and Leasehold Land and Buildings:—
Brewery Premises, Maltings, Factories and Stores
Licensed and Unlicensed Properties
(Certain of the Properties included under this heading are the subject of Claims for War
Damage Compensation)
Plant, Equipment and Vehicles

3. Indebtedness from and to Subsidiary Companies

	1959	1958
Amounts receivable on Current Accounts	£221,331	£226,624
Dividends receivable (net)	506,650	467,484
Amounts receivable on Loan Accounts	727,981	694,108
Aggregate Indebtedness	283,970	225,970
	£1,011,951	£920,078
Amounts payable on Current Accounts	£626,874	£697,028

	1959		1958			
	At Cost, or Net Book Value at 1st July, 1948, less disposals and amounts written off	Aggregate Depreciation	Balance of Original Cost carried forward	At Cost, or Net Book Value at 1st July, 1948, less disposals and amounts written off	Aggregate Depreciation	Balance of Original Cost carried forward
	£	£	£	£	£	£
	1,230,104	107,641	1,122,463	1,199,218	91,949	1,107,249
	5,305,269	34,458	5,270,811	5,140,115	30,330	5,109,785
	3,850,923	1,543,744	2,307,179	3,549,267	1,298,095	2,251,172
	£10,386,296	£1,685,843	£8,700,453	£9,898,600	£1,420,394	£8,448,206
	1,997,973	253,422	1,744,551	1,984,997	222,779	1,742,218
	12,534,904	872,859	11,662,045	12,050,949	866,342	11,184,607
	7,170,332	2,864,209	4,306,123	6,359,235	2,371,766	3,987,469
	£21,703,209	£3,990,490	£17,712,719	£20,395,181	£3,460,887	£16,934,294

4. Contingent Liability

There is a contingent liability, not provided for in these accounts, of £90,000 in respect of a partly-paid investment in the Commonwealth Development Finance Company Limited.

5. Contracts for Capital Expenditure

The aggregate amount of contracts for capital expenditure, so far as not provided for in these accounts, is

	1959	1958
BASS, RATCLIFF & GRETTON LTD.	£228,300	£250,100
THE BASS GROUP	£320,000	£726,800

6. Taxation

The charge for taxation shown in the Consolidated Profit and Loss Statement is based on the profit for the year after charging depreciation on Plant, Equipment and Vehicles in place of the capital allowances and relief for renewals which will be claimed for taxation purposes. The difference between the taxation charge so calculated and the amounts estimated to be payable on the profit for the year has been transferred to a "Capital Allowances Equalisation Account" to which has been added the sum of £669,771 from Revenue Reserve in respect of past years.

CITY NOTES

WITHDRAWAL of the Bank of England 'peg' from the gilt-edged market has provided the City, and the Stock Exchange in particular, with one of the most controversial subjects for some time. The object of the move is clearly to make it more difficult for the banks to sell Government stocks and thereby to put some pressure on the banking system's ability to maintain the pace of the increase in bank advances.

As an exercise in 'public relations', however, the operation has shown the authorities to be singularly lacking in acumen in that direction. The Radcliffe Committee urged on the authorities the need to make the workings of the monetary machinery better known to the public. In this case, however, it was left to the gilt-edged market to find out what had happened and to the financial Press to translate the events as it thought fit.

The 'man in the street' was left to draw his own conclusions and he naturally enough put the operation alongside the 'warnings' uttered by Mr Cameron Cobbold, the Governor of the Bank of England, and Lord Ritchie, chairman of the London Stock Exchange, on the dangers of too much bullish speculation in the market.

The two gentlemen concerned were right, in the City's opinion, to draw new investors' attention to the fact that prices go down as well as up, but both statements were obviously liable to misinterpretation and have in fact been misinterpreted; poor public relations again?

The net result of all this in the market has been a setback in gilt-edged prices and renewed uncertainty in equities, despite a continued flow of good industrial news and of encouraging forecasts of current year results. And behind it all lies some apprehension concerning the outcome of next month's Budget.

RATES AND PRICES

Closing prices, Wednesday, March 2nd, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½ %

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Dec. 24	£3 13s 8·82d%	Jan. 29	£4 10s 9·18d%
Jan. 1	£3 14s 6·24d%	Feb. 5	£4 10s 10·88d%
Jan. 8	£3 14s 11·06d%	Feb. 12	£4 10s 11·30d%
Jan. 15	£3 15s 7·79d%	Feb. 19	£4 10s 10·65d%
Jan. 22	£4 11s 1·19d%	Feb. 26	£4 11s 1·07d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-¾	Frankfurt	11·69½-¾
Montreal	2·66½-¾	Milan	1741½-2½
Amsterdam	10·56½-57½	Oslo	20·03½-¾
Brussels	139·78½-79½	Paris	13·75½-76½
Copenhagen	19·34½-½	Zürich	12·15½-¾

Gilt-edged

Consols 2½%	47½	Funding 4% 60-90	91½
Consols 4%	70½	Savings 2½% 64-67	83½
War Loan 3½%	62½	Savings 3% 55-65	91½
Conversion 3½%	61½	Savings 3% 60-70	80½
Conversion 3½% 1969	85½	Savings 3% 65-75	74½
Exchequer 5½% 1966 10xrd	10xrd	Treasury 2½%	45½
Funding 3% 66-68	83½	Treasury 3½% 77-80	76½
Funding 3% 59-69	83½	Treasury 3½% 79-81	75½
Funding 3½% 99-04	68½	Victory 4%	94½

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.

Grosvenor Place Estates
Limited v. Roberts

In the High Court of Justice (Chancery Division) -
February 11th, 1960

(Before Mr Justice DANCKWERTS)

Income tax - Long lease - Tax not deducted from rent - Whether recipient of rent assessable - Customs and Inland Revenue Act, 1927, Section 26 - Income Tax Act, 1952, Sections 36, 38, 22, 169, 170, 177.

The appellant granted a lease to the National Coal Board for eighty-one years from March 25th, 1955, at a rent of £96,177 a year payable in equal quarterly instalments. The Board did not deduct tax when paying a number of instalments. Assessments for 1955-56 and 1956-57 under Case VI of Schedule D were made on the appellant. The Special Commissioners confirmed the assessments.

Held: the assessments were valid.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries and Fees in the Profession

SIR, - Referring to Mr Cook's letter last week, there are two matters which he mentions on which I should like to comment.

Mr Cook raises the question as to whether or not a qualified man has serious competition from those people who advertise.

I should say that in the smaller provincial towns the competition is very severe, as indeed is often the case in the larger towns, where many practices consist in the main of small traders. I should say that most practices built up in the last twenty-five years fall into this category, and whilst I am not certain of this, of course, Mr Cook has probably never been faced with this type of competition.

Regarding fees it is stated that undoubtedly a client's means or trading results often influence charges.

In this respect the qualified accountant usually gets the worst of both worlds inasmuch as the fees charged must be based on the time taken at the normal scale of fees, as it is against the principles of the Institute to charge higher than the normal scale per hour for that class of work, whilst on the other hand an accountant often has to reduce his fees where a client cannot afford or is unwilling to pay any more.

The question of salaries, and following from this, fees, should certainly receive attention at official level as soon as possible.

Yours faithfully,
BERTRAM SMITH, A.C.A.
Sheffield.

SIR, - Attention has on occasion been drawn in your correspondence columns to the apparent lack of understanding of the problems of the small practitioner displayed by the Council of the Institute. This complaint is heavily underlined by the President's speech at the dinner of the South Eastern Society, as reported in your issue of February 27th.

If our President has come to the conclusion that most of the work done relating to accounts prepared from incomplete records 'is only a matter of using a typewriter' it is quite clear that he has no conception whatever of the problems involved. The work of the small practitioner requires both integrity and skill. The skill needed to prepare accounts from incomplete records can only be developed by experience against a very considerable background knowledge of accountancy, law, taxation, the particular problems of a variety of trades and, last but not least, of human nature.

Herein lies the crux of the problem - the small practitioner must have skilled staff or overwork

himself. As Mr D. A. Ruston has already pointed out in your issue of November 14th last, we cannot obtain staff of the necessary calibre unless we can pay salaries comparable with those in industry. We cannot pay adequate salaries unless we charge adequate fees, and for this we need the support of the Institute as a whole.

If even our President considers that a great number of us are 'employed on work for which the high standards of our training are not applicable' it is now abundantly clear why this support is not forthcoming. It seems, therefore, sir, to be a matter of some urgency for the small practitioner to bring the facts to the notice of the Council and to remove as quickly as possible the gross misconceptions which so obviously exist. Yours faithfully,

Carlisle. E. G. LITTLE, M.A., A.C.A.

SIR, - I noted with interest the letter written by Mr Fuller (February 20th issue) setting out details of an advertisement in a Bletchley newspaper.

Five independent papers in Surrey and Middlesex published last Saturday show advertisements which agree word for word with the one quoted by Mr Fuller.

It indicates that a well-organized advertising scheme exists and may not be one sponsored by a 'local small man'. Yours faithfully,

Thames Ditton, Surrey. E. POTTER, A.C.A.

Abolition of Resale Price Maintenance

SIR, - In your issue of February 27th, you published a review of Professor B. S. Yamey's Hobart Paper on *Resale Price Maintenance and Shoppers' Choice*.

Professor Yamey seems to consider its abolition merely from the point of view of the consumer. Surely, it is about time the retailer's position under the abolition was exposed. The goods on which resale price maintenance is in force account for only 25 per cent of total goods sold. However, the profit margins on this 25 per cent do not allow a reduction in price. There are too many lines on which the profit margin is negligible, e.g. newspapers, cigarettes and sugar. The abolition of resale price maintenance would mean that it just would not pay to carry these lines any more. Alternatively, reductions in costs would have to be made in other directions with consequent loss of service to the consumer. The conclusion reached by the Census of Distribution of 1950 was that many retailers work very long hours for an inadequate return. The ultimate effect of abolition would be a great increase in the bankruptcy figures. The number of small shops in existence would be greatly reduced with consequent loss of personal service. It would mean a return to the price war of the thirties with all its evils. The value of 'Good morning, Mrs Jones' means a lot to some people. Do we want to lose this element of British service?

The comparison between this country and the U.S.A. and Canada is pointless as the circumstances are completely different. The small shopkeeper in

those countries has never been so prominent as he has been in this country. Why follow the U.S.A. and Canada; their retail distribution system leaves much to be desired?

It is indeed significant that the Federation of British Industries is against the abolition. The Restrictive Trade Practices Act may need revising in some respects, but this part of the Act would be better left as it is.

Yours faithfully,
Bushey, Herts.

A. J. CASEY.

Redemption of Redeemable Preference Shares

SIR, - I have read with interest Mr Ronald Anderson's letter in the January 30th issue and appreciate his arguments.

In continuation of my letter (January 23rd issue) I may say that the Companies Act, 1948, allows only two ways in which redeemable preference shares may be redeemed, viz. (a) out of the proceeds of the fresh issue of shares, or (b) out of the distributable profits. The Act does not permit any other way, for example, out of the sale proceeds of the assets of the company.

Now when a purchaser of shares pays a premium he does so because the position of the company is sound. In effect he pays it to participate in the goodwill of the company. From the company's point of view, the premium is the price for allowing more members to participate in its goodwill. In short, the proceeds of a premium are the proceeds of the sale of company's asset (goodwill). This being the case it would be in contravention of Section 58 of the Act to apply the proceeds of the premium towards the redemption of the nominal value of redeemable preference shares.

Yours faithfully,

DEARA R. MISTRY,

B.A., B.COM., LL.B.

London, W1.

Lost Share Certificates

SIR, - Is a share certificate still the important document which it used to be in the days of our grandfathers? The practice of issuing them without any formal acknowledgement for receipt is growing amongst registrars. Nevertheless, the procedure laid down in clause 9 of the 1948 Companies Act, closely following that of Table A's in previous Acts, for obtaining a duplicate certificate, may involve considerable trouble and expense. This can be incurred even although the original certificate never in fact reached the holder through being lost in the post.

Bank charges for signing the indemnities required have considerably increased over the years. It would seem reasonable that where a registrar accepts a mandate for the payment of income direct to a particular bank from the commencement of the holding, that a duplicate certificate should be issued without indemnity, on receipt of confirmation from that bank that the income is still being credited to the same account. Your readers' suggestions are invited as to any alternative suggestion for the amendment of clause 8 and 9 of Table A.

Yours faithfully,

INTERESTED.

Toujours la Politesse

Dear Mr Editor, - It was with surprise and pleasure that I received a letter from the Post Office Savings Bank beginning 'Dear Mr Proctor'.

This form is usual in American business letters and I believe should be encouraged instead of the formidable 'Sir'.

May we hope that other Government departments will follow the example.

Yours faithfully,

Rossendale, Lancs.

LESLIE PROCTOR.

THE INSTITUTE'S SUMMER COURSE

As announced in our issue of February 13th, the fourteenth summer course of The Institute of Chartered Accountants in England and Wales will be held from Thursday, September 15th to Tuesday, September 20th at Christ Church and Pembroke College, Oxford.

A maximum of 280 members can be admitted to the course and the closing date for application is April 30th, after which the 280 vacancies will be allocated in what the Summer Course Committee considers to be the fairest manner. Although members will reside in either Christ Church or Pembroke College, there will be one course only and all meetings of the whole course will be held in Christ Church; those members of the course who are resident in Pembroke College will hold their group discussions there.

Proceedings

The objects of the courses are to afford members from all parts of the country (and from overseas) an opportunity of meeting in an informal atmosphere and to

promote serious thought and discussion on important professional matters.

Group discussions and free exchange of views and experiences will be essential features of the course and the programme will also provide for recreational and social activities. The addresses to be presented are as follows:

'Auditing: the purpose and its attainment', by Mr D. D. Rae Smith, M.C., B.A., A.C.A.

'The organization of a practising accountant's office', by Mr J. Perfect, F.C.A.

'Retirement benefit schemes', by Mr J. H. H. Nuttall, F.C.A.

The fee for the course is £11 per member, inclusive of accommodation and meals in college; an additional fee of 10s is payable by a member wishing to remain until Wednesday morning.

Application forms are obtainable from the Secretary of the Institute and should be returned with the appropriate fee not later than April 30th.

In Parliament

Income Tax Acts: Penalty Provisions

Mr STEVENS asked the Chancellor of the Exchequer if the review of the penalty sections of the Income Tax Acts has been finished; and if he will make a statement.

Sir E. BOYLE: My right hon. friend has this matter well in mind, but we must reserve any comment on it until our annual review of financial matters.

Mr STEVENS: Is my hon. friend aware, as I am sure he is, that my question derives from the recent *Hinchy* case, the result of which in the House of Lords has caused grave uneasiness to many people? Does he agree that the House of Commons would never pass such savage penalty legislation today and will he urge our right hon. friend the Chancellor to take steps to introduce amending legislation without delay?

Sir E. BOYLE: Of course, I will bear in mind the points made by my hon. friend. I must, however, say that the decision of the House of Lords in the *Hinchy* case confirmed the interpretation of the law on which the Board of Inland Revenue has consistently based its practice. I assure my hon. friend that there is no question of the Board claiming higher penalties than in the past.

Mr H. WILSON: While the Financial Secretary will realize that we on this side have persistently asked for the most effective action against tax avoidance and evasion in all forms, will he recognize that there is considerable concern in all parts of the House about the interpretation which finally has been put upon this law, and which, as the hon. gentleman said, has been the custom of the Board of Inland Revenue for many years? Is he aware that the interpretation which has now been clearly defined means that there is something arbitrary and capricious about the amount and size of the penalty which can be levied by the Board of Inland Revenue for, perhaps, a quite small act of inadvertence in forgetting to return one's Post Office Savings Bank interest or something similar and that there is a case for the law to be looked at again?

Sir E. BOYLE: Of course, when any authoritative interpretation of the law is given, that is just the time when one wants to review the matter again. I must, however, reserve any comment upon it until the review of financial matters has been completed.

Sir H. BUTCHER: Will my hon. friend bear in mind that while the judgment may have confirmed the existing practice, it also contained severe strictures upon that practice?

Mr FOOT asked the Chancellor of the Exchequer whether his attention has been drawn to the observations in the judgment given in the House of Lords in the case of *Hinchy v. C.I.R.*; and whether he will consider introducing legislation to amend Section 25 (3) of the Income Tax Act, 1952.

Sir E. BOYLE: Yes. As my hon. and learned friend the Solicitor-General informed the House on July 30th last, my right hon. friend is making a full review of the penalty provisions of the Income Tax Acts.

Mr FOOT: Does the hon. gentleman appreciate that as the section now stands, although the Board of Inland Revenue has discretion to remit the penalties, the Court has no such discretion? Will that aspect of the matter be borne in mind when amending legislation is considered?

Sir E. BOYLE: That, obviously, is the kind of matter which we will review – certainly.

Hansard, Feb. 26th, 1960. Oral Answers. Col. 565.

Resale Price Maintenance

Mr DODDS asked the President of the Board of Trade whether he has yet completed his consideration of the possibility of abolishing resale price maintenance in an effort to encourage lower prices; and if he will make a statement.

Mr MAUDLING: I am studying the working of Section 25 of the Restrictive Trade Practices Act, 1956. But as the Parliamentary Secretary explained in reply to questions on January 26th, it will be some time before I shall be able to make a statement on this complex subject.

Hansard, Feb. 25th, 1960. Oral Answers. Col. 569.

Tax Reliefs: National Insurance Contributions

Mr MCKAY asked the Chancellor of the Exchequer how many people currently receive no tax relief arising from their contribution to National Insurance; how many people there are whose maximum rate of income tax is 1s 9d, 4s 3d, 6s 3d, and 7s 9d and higher rates, respectively; and what is the current amount paid as tax relief per week in respect of National Insurance contributions, in each case.

Sir E. BOYLE: I regret that this information is not available.

Hansard, Feb. 24th, 1960. Written Answers. Col. 56.

Telephone Service: Credit Card System

Mr SHEPHERD asked the Postmaster-General whether he is now prepared to introduce a telephone credit card system; and if he will make a statement.

Mr BEVINS: Yes, arrangements have been completed to introduce a telephone credit card service on March 1st. On application to the local telephone manager, subscribers who wish to use the new service will be issued with a card bearing a special number. By quoting this number to the operator they will then be able to make calls from any telephone in this country, including call boxes, to any telephone in the world without payment at the time and the calls will be charged to their home or office telephone account.

There will be a nominal charge (5s per quarter) for the service, but no transfer-charge fee for the individual calls. The agreement of other Administrations is being sought to the use of British telephone credit cards for calls from abroad to this country. So far arrangements have been agreed with forty-two countries, including the United States, Canada, Austria, Netherlands, New Zealand, Norway, Poland, South Africa and the U.S.S.R.

The new service is yet another step towards making telephoning quicker and easier, and I hope that it will be of benefit to those subscribers and their employees who travel a good deal on business and have to rely largely on the telephone trunk service for their communications.

Hansard, Feb. 25th, 1960. Written Answers. Col. 90.

ASSOCIATION OF SCOTTISH CHARTERED
ACCOUNTANTS IN THE MIDLANDS

DINNER IN BIRMINGHAM

The President of The Institute of Chartered Accountants of Scotland, Mr Thomas Lister, M.A., C.A., speaking in Birmingham last Friday, expressed the hope that a few of the crumbs of the abounding prosperity at present enjoyed by the southern part of England would fall to Scotland. Mr Lister was replying to the toast of the Institute, coupled with that of the Association of Scottish Chartered Accountants in the Midlands, which had been proposed by Sir Edward Boyle, Bt., M.P., Financial Secretary to the Treasury.

The President said that although he practised in London and was speaking in Birmingham, he could not overlook the fact that this prosperity had not been fully shared by Scotland and some parts of England and Wales. 'Even British Railways may have their doubts about wagon loads of sheet steel being hauled by their engines from Wales to Birmingham, there to be turned into motor-cars, thereby lessening the number of people who will travel by British Railways,' he commented wryly.

'I feel sure none of you will grudge to Scotland or other less fortunate parts of England and Wales the few crumbs which may fall to us from the already groaning table of the motor industry,' he said.

Training for the Profession

Mr Lister also spoke of the considerable preparatory work which had been put into matters concerning the training of young men who would be future members of the Institute. During the past year these matters had absorbed a great deal of time and thought on the part of the Council and committees of the Institute. All that time and thought, and the work on the part of the staff had been rendered without stint and he believed that they were now 'well set to make the move which will begin this autumn to go forward with our new syllabus'. In the autumn the first apprentices would be undertaking nine months' full-time university study as part of their training.

'We hope that with the co-operation of principals and teachers, the results of the new scheme will in the outcome be satisfactory and that the standing of the Scottish Institute will thereby be not only maintained but enhanced,' he said.

Sir Edward Boyle was warmly applauded for his comments on the engagement of Princess Margaret, which had been announced earlier the same evening. He expressed the belief that his delight at the news was shared by all in the room and went on: 'Do not let us forget that some three and a half years ago Princess

Margaret made a very great sacrifice for her happiness on account of a principle. It is not, I think, priggish of me to suggest that there are not too many people in this world today who would make such a sacrifice.' He hoped that she would be extremely happy in the years to come.

Earlier the company had coupled toasts to Princess Margaret and the baby Prince with that of the Queen in the loyal toast.

'Rembrandt and Haggis'

In a speech which was notable for its humour rather than for any weighty economic pronouncement, Sir Edward referred to the haggis which had been enjoyed by guests. He had arrived in Birmingham from the House of Commons, where he had been speaking in a debate on the arts, and was able to announce the acquisition by the National Trust of Rembrandt's Equestrian portrait. 'Never before have I had the honour of speaking pleasurable words on Rembrandt and haggis in one day,' he commented.

Sir Edward said he was proposing a toast 'to a most impressive body of men who constitute an invasion of Birmingham from the north'. He was always impressed whenever he read history by the contribution which Scotland had made to the economic history of the country. After the act of union, the Scots had come to London and not only made money in that city but also, by their enterprise and activity, in other parts of the world.

'I cannot over-rate the part played by the Scot in the evolution of the Commonwealth, which is, after all, one of the great glories of the Western World,' he said. 'I do want to say just how much accountants do contribute to our national life and prosperity today. And one can go further and say that Scotland has made a great contribution to the whole of our cultural life. Just think throughout history what you have contributed to British thought and to all our great intellectual movements in Great Britain.'

Other Speakers

Other speakers were The Rev. Professor G. W. H. Lampe, Vice-Principal of Birmingham University, who proposed the toast of 'The City of Birmingham'; Alderman Donald Johnstone, J.P., Deputy Mayor of Birmingham, who replied; Mr W. A. Nicol, C.A., F.C.C.S., Chairman of the Association of Scottish Chartered Accountants in the Midlands, who proposed the toast of 'Our Guests', and Mr Evan Ag. Norton, C.B.E., M.A., who replied.

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WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS GRAY, STAINFORTH & Co, Chartered Accountants, of London, W1, announce that Mr JAMES HENRY LINDON BURROUGHS, F.C.A., has retired from the partnership. The firm continues under the remaining partners.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND, of Holland, announce that their address in Rotterdam is now at Coolsingel 6, Rotterdam, 1.

MESSRS BRIDGER, WELLS & Co, announce with regret the death on February 22nd, of Mr J. H. WELLS, A.A.C.C.A.

Appointments

Mr H. D. Vigers, F.C.A., has been appointed a director of Hoover (Electric Motors) Ltd.

Mr Adrian C. Furse-Roberts, F.C.A., has been appointed treasurer and secretary of Du Pont Co (United Kingdom); Mr Alec H. Barber, F.C.A., succeeds him as deputy treasurer.

Mr Pearse O'Brien, F.C.A., secretary of Shamrock Fertilizers Ltd, has been co-opted to the board of directors.

Mr G. H. R. Edmunds, F.S.A.A., has been appointed chairman of the South African board of the Standard Bank of South Africa Ltd.

OBITUARY

Lieut.-Col. Norman MacLeod

It is with regret that we record the death on February 28th of Lieut. Col. Norman MacLeod, C.M.G., C.B.E., D.S.O., OFFICIER LEGION D'HONNEUR, D.L., J.P., C.A., at the age of 87.

Educated at Fettes College, he subsequently joined the firm of Kerr, MacLeod & Macfarlan, Chartered Accountants, of Glasgow - of which he later became a senior partner - and was admitted to membership of The Institute of Accountants and Actuaries in Glasgow in 1897.

Colonel MacLeod served in the Queen's Own Cameron Highlanders in the First World War during which he was wounded; he was thrice mentioned in dispatches and was awarded the D.S.O. and the French Legion of Honour. In 1919 the C.M.G. was conferred upon him and in 1932 he was appointed an aide-de-camp to the late Sir Ian Colquhoun as Lord High Commissioner to the General Assembly of the Church of Scotland.

Appointed as a Deputy Lieutenant for the County of the City of Glasgow in 1934, he was also a member of the Queen's Bodyguard for Scotland - the Royal Company of Archers - and Dean of Guild, Glasgow, in 1946 and again in 1947. He received the C.B.E. in 1953.

ECONOMIC CONDITIONS IN THE UNITED KINGDOM

A new booklet in the 1960 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation contains a comprehensive analysis of economic conditions in the United Kingdom. The booklet is available from H.M. Stationery Office, price 2s 6d.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

President's Luncheon Party

The President of The Institute of Cost and Works Accountants, Mr Edward Emmerson, F.C.A., F.C.W.A., gave a luncheon party last Wednesday at 63 Portland Place, London, W.1. The guests were:

Messrs W. Bishop, C.A., F.C.W.A. (*a member of Council of the Institute*); J. Borsay, F.C.W.A. (*a past President of the Institute*); C. F. Heron, O.B.E. (*Chairman, Central Youth Employment Executive, Ministry of Labour*); A. W. Humphries, B.A., B.Sc. (*Acting Secretary, Headmasters' Conference and Incorporated Association of Head Masters*); Walter James (*Editor, 'The Times Educational Supplement'*); Dr A. J. McIntosh, B.COM., PH.D. (*Director, City of London College*).

Mr Ian T. Morrow, C.A., F.C.W.A. (*a past President of the Institute*); Sir Harry Pilkington (*Chairman, National Advisory Council on Education for Industry and Commerce*); Messrs C. E. Power, F.C.A., F.C.W.A. (*a member of Council of the Institute*); F. W. H. Saunders, F.C.W.A. (*a past President of the Institute*); Kenneth Thompson, M.P. (*Parliamentary Secretary, Ministry of Education*); H. R. Walters, M.C., T.D., B.SC.(ENG.) (*Secretary, University of London Appointments Board*); Derek du Pré (*Secretary of the Institute*); T. B. Degenhardt, M.A., F.C.I.S. (*an Assistant Secretary of the Institute*).

BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

At the second annual dinner and dance of the Belfast Society of Chartered Accountants, held at *The Woodburn House Hotel*, Belfast, on February 19th, the President of The Institute of Chartered Accountants in Ireland, Mr D. McC. Watson, F.C.A., and Mrs Watson were among those received by the Chairman of the Belfast Society, Mr John Mulholland, F.C.A. Among the guests were:

Mr R. Bell (*Secretary, Belfast Stock Exchange*) and Mrs Bell; Mr R. McD. Coulter (*Chairman, Incorporated Law Society of Northern Ireland*) and Mrs Coulter; Mr D. L. Hall (*Chairman, Belfast Chamber of Trade*) and Mrs Hall; Mr S. Lilburn, F.C.A. (*Chairman, the Munster Society of Chartered Accountants*) and Mrs Lilburn; Mr John Love, F.C.A. (*Chairman, the Dublin Society of Chartered Accountants*) and Mrs Love; Mr M. McKee, A.C.W.A. (*Chairman, Belfast and District Branch, Institute of Cost and Works Accountants*) and Mrs McKee; Mr W. S. Orr, B.A., LL.B., A.C.A. (*Secretary, The Institute of Chartered Accountants in Ireland*) and Mrs Orr; Mr R. G. Wilkinson, F.A.C.C.A. (*Chairman, Northern Ireland Branch, The Association of Certified and Corporate Accountants*) and Mrs Wilkinson.

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

An evening meeting of the Industrial and Administrative Group of the Dublin Society was held at *The Royal Hibernian Hotel*, Dublin, on February 18th. Mr E. J. Carroll, F.C.A., chairman of the Group, presided and welcomed the guests who included a large number of members of the Irish Management Institute

who had been invited to attend. The Chairman then introduced the guest speaker, Mr J. W. Tate, who gave a talk on 'Advertising campaigns and costs'.

Mr Tate gave an interesting analysis of the advertising scene. As he was speaking to an audience of accountants and business men, he thought it important to point out that no major expenditure of modern business is made with such reckless abandon as advertising expenditure.

He outlined a number of points to be considered by a firm planning to advertise. The answers to the questions Why? When? Where? How much? were vital, he emphasized, although the problem had become complicated by the rise in circulation of many newspapers and the advent of new media such as commercial radio and television.

Mr Tate added that the problem of measuring the impact of advertising was a difficult one, particularly as between one media and another, but it was very easy to measure the result of having no advertising at all.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting of The Accountants' Christian Fellowship for Bible reading and prayer will be held at 12.30 p.m. next Monday, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be 1 Corinthians, chapter 11, verses 23 to 26 ('This do in remembrance of me').

CITY DISCUSSION GROUP

The next meeting of the Chartered Accountants' City Discussion Group will be held next Thursday, March 10th, at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'Fiddles', introduced by Mr Kenneth Cork, F.C.A.

CENTRAL LONDON DISCUSSION GROUP

The next meeting of the Chartered Accountants' Central London Discussion Group will be held at *The Princess Louise*, High Holborn, London, WC1, next Thursday at 6 for 6.30 p.m. Mr Frank L. Webb, F.C.A., will lead the discussion on 'Company law amendment'.

SOUTH WEST LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, on Monday, March 7th, at 6.45 p.m., when a discussion on the 'National Insurance Act, 1955 and insurance company pension schemes' will be opened by an insurance company representative.

INSTITUTE OF INTERNAL AUDITORS Birmingham Chapter

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held at *The Cambridge Inn*, Cambridge Street, Birmingham, next Thursday, at 6.30 p.m. (tea at 6 p.m.), when Mr J. C. Walker, of H. J. Heinz & Co Ltd, will speak on 'Auditing a traffic department'.

Non-members are welcome and inquiries regarding activities and membership of the Chapter should be addressed to Mr G. T. L. Judson, chief internal auditor, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

THE ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN LONDON Annual General Meeting

The annual general meeting of The Association of Scottish Chartered Accountants in London was held on February 18th, at The Institute of Chartered Accountants in England and Wales, Moorgate Place, London.

The chairman of the Association, Mr J. S. Wilson, C.A., retired from office and was succeeded by Mr F. Booth, C.A.

Messrs D. Galloway, C.A., and S. Stevenson, C.A., retired from the committee and Messrs W. Balleny, M.A., B.COM., C.A., and W. S. Risk, B.COM.(EDIN.), C.A., F.C.W.A., were appointed in their place.

A replica of the golf cup won by him in the 1959 competitions was presented to Mr D. W. Ness, C.A. This concluded the business of the annual general meeting of the Association.

Golf Club

The meeting was followed by the annual general meeting of the Association's Golf Club, with Mr J. Wood, C.A., club captain, in the chair.

Mr Wood presented the annual accounts to the meeting and explained that the committee for the ensuing year consisted of the first three members in each of the annual competitions for 1959: Messrs D. A. B. Cunningham, I. M. Whyte, R. Darby, D. W. Ness, N. McAndrew, D. L. Skinner.

The captain, in proposing a hearty vote of thanks to Mr R. Jardine, M.C., C.A., for his services as honorary auditor for as many years as he could remember, explained that Mr Jardine had expressed the desire not to be reappointed. Accordingly, Mr T. N. Ritchie was duly elected auditor for 1960.

It was announced that the 1960 fixtures are as follows:

Wood Cup: Association v. Chartered Accountants' Golfing Society: Thursday, April 28th, at Denham Golf Club.

Moore Cup: Friday, May 13th, at Gleneagles.

Annual Competitions: date not yet fixed.

Mr Wood then announced that he had great pleasure in nominating Mr D. W. Ness as his successor as captain for the ensuing year.

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ANNOTATED TAX CASES

Part 4 of Volume XXXVIII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments of the following cases: *C.I.R. v. Hudspeth* (Ch.D.); *C.I.R. v. Hinchy* (C.A.); *Couper's Testamentary Trustees v. Lord Advocate* (C.S.); *In re Sutherland's Estate* (Ch.D.); *Bennett v. Rowse* (H.L.); *Ostime v. Australian*

Mutual Provident Society (H.L.); *Collco Dealings Ltd v. C.I.R.*, *Lucbor Dealings Ltd v. C.I.R.* (Q.B.D.); *Hinton v. Maden & Ireland Ltd* (H.L.); *Race-course Betting Control Board v. Young* (H.L.); *Murray's Trustees v. Lord Advocate* (C.S.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

LONDON STUDENTS' COLUMN**News from the London Chartered Accountant Students' Committee**

Mr S. L. Hartley has found it necessary to resign his position on the Committee. Mr David Hughes has been elected to fill the vacancy.

Social Clubs

A debate was held between the 59 Club and nurses from St Bartholomew's Hospital on the motion that 'This house considers it unfeminine for women to partake in sport'. The club's speakers were unable to raise sufficient support and the motion was defeated by twenty-eight votes to thirty-one. However, all was forgiven when the Club members were treated to refreshment by the nurses.

'The Taverners' monthly meeting attracted twenty members and 140 people attended the St Valentine's party on February 17th.

Speakers' Course

The joint debate with the Solicitors' Articled Clerks' Society that 'This house would rather marry Miss Bardot than Mrs Beeton' was attended by fifty-five members. Miss H. M. Taylor, principal of the Abbey School for Speakers, is again giving her course of lectures of advice on public speaking.

General Lectures

The later starting time at 6 o'clock for these meetings showed no obvious benefit in improved attendance at the one on 'The market price of investments', but this no doubt was affected by the one-day railway strike which prevented many from coming. There was a better attendance at the second lecture on 'Why businesses form groups', and over 200 attended last Monday.

Library

Among recent additions to the library collection has been a copy of the second edition of *Unit Trusts and How They Work*, presented by its author, Mr C. O. Merriman, F.C.A.

Spring Residential Course

A large number of applications for the week-end course at Cambridge, commencing on April 7th, are being received. Allocation of places will be made by the second week in March. The course has reached the

stage when it will require two colleges to provide the accommodation required.

Autumn Residential Course

It is announced that the senior week-end residential course will be held at Balliol College, Oxford, from Thursday to Sunday, September 15th to 18th. Further details and application forms will be issued to members about the middle of June.

Next Week's Meetings

The following meetings will be held during next week:

Monday, Whole-day course at the Institute: Lectures on 'The basic principles of electronic accountancy', by Mr Dudley W. Hooper, M.A., F.C.A., chief organizing accountant, National Coal Board; 'Audit working papers', by Mr J. O. Elphick, F.C.A.; 'Some important tax cases', by Mr A. J. Turner, A.C.A., A.T.I.I.; and 'Where the Companies Act fails', by Mr H. T. Nicholson, F.C.A.

6 p.m., at the Institute: Lecture on 'Ethics for the accountant in practice', by Sir Thomas Robson, M.B.E., M.A., F.C.A., Past President of the Institute. Chairman: Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., Past President of the Institute and of the Students' Society.

6.15 p.m., at Bedford: Lecture on 'Company formation and floatation', by Mr R. D. Penfold, Barrister-at-Law.

Tuesday, Visit to Barclays Bank (limited number).

Wednesday, 5.30 p.m., at the Institute: Opening lecture of the mechanized accounting course, by Mr Dudley W. Hooper, M.A., F.C.A., chief organizing accountant, National Coal Board.

6.15 p.m., at *St Paul's Tavern*, Chiswell Street, EC2: Informal dinner followed by a mock parliament.

7.30 p.m., at Westcliff-on-Sea: Lecture on 'Company liquidations', by Mr K. R. Cork, F.C.A.

Thursday, 5.15 p.m., at the Institute: Introductory course lecture on 'Company law', by Mr P. W. Medd, Barrister-at-Law.

'59 Club' theatre party.

Friday, 5.15 p.m., at the Institute: Introductory course lectures on 'A general introduction to income tax', by Mr J. Kennedy Melling, F.C.A., A.T.I.I., F.R.ECON.S., and 'The law of banking', by Mr P. W. Medd, Barrister-at-Law.

Saturday, Winter sports party leaves for Obergurgl, Austria.

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Estate Duty and Pensions

THE years since the Second World War have seen a remarkable growth in the number and extent of private pension schemes instituted by employers. The higher standard of living enjoyed by the vast majority, and the excessive direct taxation which makes saving for old age so difficult, are the two major factors in the growth of pension schemes, which, if carefully formulated, can bring considerable income tax advantages. In addition to income tax and surtax problems and the actuarial problems of forecasting the future, a third, and perhaps not so well-known, set of problems arises from estate duty.

When a pensioner dies, then in the normal course although the pension fund is relieved of a burden no estate duty attaches on the cesser of the pension, either to the pensioner's personal representatives or to the pension fund. But most pension scheme members who have dependants, whether a wife or children or both, are anxious to secure some provision for those they leave behind. It is in meeting this natural desire that pension schemes sometimes attract estate duty liability. For people with modest estates the problem is not serious; estates up to £3,000 in value bear no duty, while between £7,500 and £10,000 the rate is only 4 per cent.

Still, the provision made by a scheme for a particular dependant may well be the bare minimum for adequate subsistence, and if that dependant has to suffer an estate duty deduction the very hardship may occur which it was sought to avoid. Moreover, once a scheme has been commenced it is not always easy to alter it so as to deal with unforeseen estate duty liabilities.¹

The charging provision most often invoked by the Estate Duty Office in relation to pension schemes is Section 2 (1) (d) of the Finance Act, 1894, which provides that property passing on the death shall be deemed to include:

'Any annuity or other interest purchased or provided by the deceased, either by himself alone or in concert or by arrangement with any other person, to the extent of the beneficial interest accruing or arising by survivorship or otherwise on the death of the deceased.'

The first hurdle facing the Estate Duty Office is to prove that the deceased 'provided' the interest. They are assisted in this by two further provisions aimed at avoidance devices but sometimes striking the innocent as well as the guilty. Arrangements under which the deceased put third parties in funds to make the provision are struck at by Section 30 of the Finance Act, 1939, and Section 26 of the Finance Act, 1943. However, it by no

¹ See *Re Alfred Herbert Ltd Pension and Life Assurance Scheme*. (*The Accountant*, February 27th, 1960, page 251.)

means follows that an employee who is a member of a non-contributory pension scheme provides the annuity to his dependant, even in the extended sense. Each case depends on its own facts, the important thing being to have estate duty well in mind when formulating the pension scheme.

The next thing the Estate Duty Office must show is that the annuity to the dependant is a beneficial interest; which means a legally enforceable interest. This is a rock on which a good many claims to estate duty have foundered. A contract by the employer with the deceased to pay an annuity to a third party, no trust being created, creates no beneficial interest in the third party.¹ Where the third party is merely the possible recipient of an annuity at the discretion of the trustees of a pension fund, there is similarly no beneficial interest.² However, given the choice most employees would prefer to know that their widows and children have a legal right to benefits, no matter how much moral certainty there might be that the benefits would be paid.

The next condition of liability to estate duty is that a beneficial interest must accrue or arise on the death of the deceased, 'on the death' being extended in meaning to cover 'at a period ascertainable only by reference to the death'.

One weakness in the original legislation was revealed in 1933 when the House of Lords held that in valuing the beneficial interest accruing or arising on death one must deduct, from the full value of the interest, the value of the interest in expectancy existing immediately before the death.³ In most cases it would follow that the increase in value to the beneficiary in the period from the moment immediately before the death to the moment immediately after it was very small, so as to make the charging provision largely nugatory. Accordingly Section 28 of the Finance Act, 1934, provides that in valuing the interest arising on death no regard should be paid to any interest in expectancy which the beneficiary had immediately before the death.

However, it does not seem to have been realized until fairly recently that there is a vital difference between the arising of a beneficial interest and the yielding by that beneficial interest of actual benefit. The distinction is perhaps more easily

explained by the example of a life insurance policy. Such a policy is a contract with an insurance company which is in itself a piece of property capable of being bought and sold, given away or mortgaged. As a piece of property the chief advantage which it normally carries is the right to receive a sum of money on the death of a named person. That is a right which the policy-holder acquires when he acquires the policy, not when the policy moneys become payable.

Although this simple argument was rejected by the Court of Appeal it found favour with the House of Lords⁴ with somewhat disastrous effect on the yield of duty under Section 2 (1) (d). It follows that lump-sum benefits secured to a dependant under a pension scheme and payable on death do not constitute a beneficial interest accruing or arising on death; the mere fact that the contract under which they are paid is not a life policy cannot make any difference.

Is there any difference where what the dependant receives is an annuity and not a lump sum? It would seem that there is not. Of course the dependant must survive the deceased if the annuity is to become payable at all. But her right to the annuity is not a right which springs into existence on the death. This proposition is supported by the speech of Lord Keith in *Westminster Bank Ltd v. Commissioners of Inland Revenue* (36 A.T.C. 161) and would appear to have been accepted by the Inland Revenue.

A pension scheme may be such that the member and his wife have rights under which the member receives an annuity and his wife is to receive an annuity expressed to be dependent on her surviving the member. Since it is inherent in the nature of a future annuity that the annuitant must survive the due date, there seems to be no justification for taxing the survivor's annuity under Section 2 (1) (d), merely because the condition of survival is expressly mentioned.

Even where an annuity provided for a dependant under a pension scheme would otherwise be liable to duty, if it is very small it may qualify for special relief⁵. A single annuity not exceeding £52 is exempt. An annuity of less than £104 pays duty on the footing that it is an annuity for twice the

¹ *Re Millers Agreement* ([1947] Ch. 615).

² *Davies v. Commissioners of Inland Revenue* (31 A.T.C. 355).

³ *Adamson v. Attorney-General* (11 A.T.C. 513).

⁴ *D'Avigdor-Goldsmid v. Commissioners of Inland Revenue* (32 A.T.C. 26).

⁵ Finance Act, 1894, Section 15 (1); Finance Act, 1935, Section 33.

amount by which it exceeds £52; e.g. an annuity of £78 is valued for duty purposes as though it were an annuity of £52. It seems possible to provide any number of annuities under £104, as long as none of them is for as little as £52 or less.

These special exemptions have lost much of their importance as a result of the combined effect of the provisions for aggregation and the raising to £3,000 of the minimum value of estates

on which duty is payable. If the deceased never had an interest in an annuity which is chargeable to duty under Section 2 (1) (d), then it is to be taxed as though it were a separate estate. Moreover, there are concessions under which certain contingent interests of the deceased, which never came to fruition, are disregarded. However, it is wiser so to arrange matters as to avoid recourse to extra-statutory concessions.

More on Contracting Out

THE flood of literature being issued in connection with the possibility of 'contracting out' of the graduated benefits and contributions under the National Insurance Act, 1959, continues to flow; and while it is encouraging that the authorities are taking all possible steps to get the machine working in advance of the Acts coming into operation on April 1st, 1961, it is obvious that they need the co-operation of all employers and their professional advisers if the enormous number of applications to contract out, which are expected, are to be dealt with in time for contracting out to operate from the commencement. Applications to the Registrar of Non-Participating Employments made now will no doubt receive very prompt attention and this may be true of applications submitted up to, say, May or June, but a clogging of the machine after that seems almost inevitable.

Elsewhere in this issue were reproduced in full two memoranda which have been issued by the Registrar for the benefit of professional advisers. The first contains some very useful guidance as to the detail of the standards to be used in deciding whether the benefits for an individual under a pension scheme are sufficient to permit him or her to be contracted out. The second sets out the form of notices to employees and other parties and the form of application to the Registrar.

In his first official pamphlet (Leaflet R1) issued last December, the Registrar made it clear that he would welcome a preliminary approach to him in advance of a formal application. This could be useful in helping towards a decision as to what groups of employees could usefully be contracted out and what grouping would be officially acceptable.

When formal application is made in respect of some or all of the members of a privately invested

fund, i.e. a fund which does not depend on an insurance policy, the Registrar will require copies of the audited accounts of the fund since the last actuarial valuation, together with a statement by a professionally qualified auditor that all payments due to the fund have been made. He will also require information as to any loans from the fund to the employer or associated businesses under the same control, and any investment in those businesses. The requirements are obviously designed to enable the Registrar to satisfy himself that the money to pay the 'equivalent benefits' under the Act will be available and he clearly could raise no objection to such loans or investments, unless they were required to pay that part of the total benefits.

Other requirements in the financial field will be a certificate from the trustees of the fund that any equalized annual charges or other special payments due since the last valuation report have, in fact, been paid, and information concerning any changes in the rate of contribution or benefit. He will also require a certificate from the actuary to the fund. Once a certificate has been issued he will require each year a copy of the audited accounts and statements to bring the original information up to date.

A useful source of information on pension matters is the Association of Superannuation and Pension Funds which has just issued the first of what is to be a series of pamphlets concerning the 1959 Act. The Council of the Association is in close touch with the Registrar and will issue information as it becomes available. Membership of the Association is available to any pension scheme and accountants and others may become associate members. The offices of the Association are at 221 Kensington High Street, London, W8.

Investment and Wear & Tear Allowances

by T. J. SOPHIAN

THE decision of the majority of the House of Lords in *Hinton v. Maden & Ireland Ltd* (38 A.T.C. 231) seems to necessitate a review of some of the earlier cases in which somewhat similar expenditure has been disallowed, and it may be that those decisions can no longer be regarded as authoritative.

It will be recollected that the investment allowance, which was granted by Section 16 of the Finance Act, 1954, to relieve capital expenditure on new assets, was suspended by Section 15 of the Finance Act, 1956, but was subsequently restored by Section 21 of the Finance Act, 1959. Different provisions apply to different types of assets. For the present purpose, our observations will be confined to machinery and plant. Such capital expenditure, however, may attract a different kind of relief. For under paragraph (d) of Section 137 of the Income Tax Act, 1952, which deals with the deductions which may or may not be made for the purpose of arriving at the profits of the trade, a deduction is permissible for, *inter alia*, expenditure incurred on the 'supply, repairs or alterations of any implements, utensils or articles' employed for the purpose of the trade. Thus 'plant' may in certain circumstances come within the description of such 'implements, utensils or articles', and in such a case the expenditure will attract a double relief.

Double Relief

Firstly, the trader will be entitled to deduct the cost of the expenditure for the purpose of arriving at the profits of his trade or business, so that he would receive a 100 per cent relief indirectly in respect of such expenditure.

But, in addition, if the plant is new, i.e. brand new, he will also be entitled to claim an investment allowance in respect of the expenditure. Where such expenditure is incurred since the Finance Act, 1959, an investment allowance of 20 per cent and an initial allowance of 10 per cent, can be claimed. What, however, is to be noted, is that the investment allowance, like the initial allowance, may only be claimed once and for all, and further that it will not affect the annual allowance that can be claimed for wear and tear, the investment allowance being ignored for this purpose.

It follows therefore – and this seems somewhat

startling – that when expenditure on new plant is incurred, the trader may receive by way of tax relief, in one way or another, 130 per cent of the cost. Accordingly, if he spends £100 on new plant, he can claim tax relief in respect of a much larger sum than that expended.

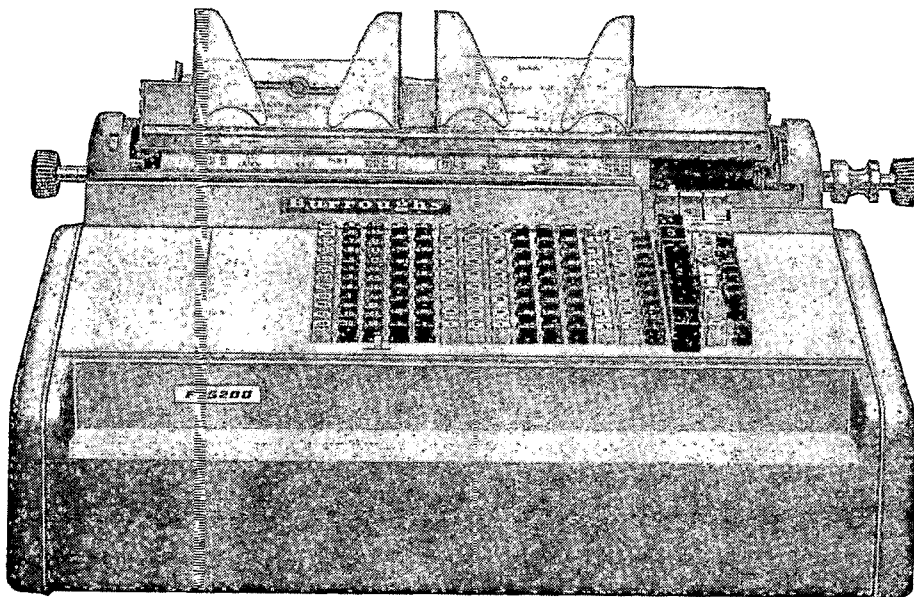
This, in effect, was one of the principal points which were in issue in *Hinton v. Maden & Ireland Ltd*, viz. as to whether the investment allowance could also be claimed, a point on which opinion among the members of the House was divided. A further question was whether the articles were 'plant'.

Material Facts of the Case

The taxpayers employed a number of different kinds of machines in the manufacture of shoes. These machines, as Lord Denning so aptly put it, could be described as 'mechanical cobblers'. One machine was given a knife and leather; it pressed down the leather and cut it with the knife to the required shape. Another machine was given a wooden last with the leather shaped round it; the machine hammered down the tacks. There were other machines which carried out different operations. Quite clearly, therefore, the machines themselves constituted 'plant'.

Neither the knives nor the lasts, however, formed part of the respective machines. They were separate tools, and the question arose whether the knives or the lasts were equally *plant*. The average life of a knife, in making the sole of the shoe, was three years, and of a knife used in making the uppers, one year. The cost of each knife was £1. The life of each last was about three years, though some might be used for four to five years and the cost was £1 2s per pair. The expenditure on new knives and lasts was charged by the company to capital, and a deduction in respect of their cost was allowed by the Revenue under Section 137 (d) of the Income Tax Act, 1952. Owing to the vast quantity of knives and lasts that were used, no physical stocktaking was possible in relation to them. A balance was struck, however, and on an agreed basis of a three-year life for both knives and lasts, a sum equal to one-sixth of the total expenditure on the knives and lasts had been deducted in the following six half-yearly accounts. This deduction, therefore, was quite clearly in respect

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of capital expenditure on the 'supply, repair or alteration of implements, utensils or articles employed for the purpose of the trade' within paragraph (d) of Section 37 (1) of the Income Tax Act, 1952. It was, of course, common ground that the expenditure allowed in this way did not represent the actual 'sum expended', as paragraph (d) provides.

But the taxpayer company claimed in addition an investment allowance equal to one-fifth (the then rate allowed) of the expenditure on knives and lasts, under Section 16 of the Finance Act, 1954, which claim could only be on the basis that the expenditure was 'capital expenditure', an expression which, like 'revenue expenditure', the House regarded as being incapable of exact definition.

Scope of Section 137 (a) of the Income Tax Act, 1952

The dicta in the judgments in this case throw considerable light on the scope of paragraph (d) of Section 137 of the Income Tax Act, 1952.

Primarily one would consider that paragraph (d) was referring to revenue and not to capital expenditure, particularly as paragraph (f) of the same section appears to prohibit deductions in respect of capital expenditure; for it prohibits deductions in respect of any sums 'employed or intended to be employed as capital' in the trade.

The history of this provision, however, is not consistent with any such limitation of paragraph (d). It is necessary for this purpose to go back to the corresponding Rule 2 (2) in the 1842 Act which contained similarly worded provisions. Prior to 1878 there was no express statutory provision for a wear and tear or annual allowance in respect of capital expenditure, and no deductions could be claimed except under Rule 3, which applied where capital expenditure was incurred for the renewal of plant and machinery. It was the custom to allow such deductions for such expenditure, even though of a capital nature as, for instance, where worn-out railway engines were replaced by new ones. This custom continued after 1878, even after the introduction of the express wear and tear allowance in the case of capital expenditure.

Thus, in *C.I.R. v. Great Wigston Gas Co* (25 A.T.C. 166; 29 T.C. 197), reliefs were given to the company by way of wear and tear allowances for certain types of equipment, and by way of deduction of the whole expenditure on renewals of other types of equipment. Later, however, one uniform method was adopted of granting

wear and tear allowances in respect of the whole of the company's plant and equipment. It was held that for excess profits tax purposes this latter method was appropriate in respect of the whole of the plant and machinery. It was stressed, however, by the Court of Appeal that the wear and tear allowance and the renewals allowance were alternative and that the taxpayer could not claim the benefit of both.

Furthermore, paragraph (c) of Section 16 of the Finance Act, 1954, which makes provision for the investment allowance, specifically states that where the expenditure on new machinery and plant 'is allowed to be deducted in computing profits or gains' for the purpose of income tax - which would be, it seems, under Section 137 (d) of the Income Tax Act, 1952 - it is nevertheless to be treated as capital expenditure for the purpose of attracting the investment allowance under Section 16 of the Finance Act, 1954, if it would be treated as capital expenditure for the purpose of claiming capital reliefs (under Chapter II of Part X) but for the deduction. This provision in the Finance Act, 1954, therefore, would appear to indicate that though the expenditure is of a capital nature it might nevertheless be deductible from the profits under Section 137 (d) of the Income Tax Act, 1952.

'Usually Expended'

There is some authority to support the view that the expenditure deductible under Section 137 (d) must be of a revenue character. Thus, in *Hyam v. C.I.R.* (8 A.T.C. 275; 14 T.C. 479) the cost of new shop fittings to replace old ones which had been scrapped was held not to be deductible under the old Rule 3 of Cases I and II of Schedule D, even though they might have been regarded as coming within the description of 'implements, utensils or articles' within the meaning of this rule.

It is important to note, however, that this decision was given on the wording of the rule before its amendment in 1927, the then wording being to the effect that the deduction was not to be allowed beyond the sum 'usually expended' for the supply, repair or alterations of such implements, utensils or articles according to an average of three years preceding the year of assessment.

Shop fittings were treated by the Court as being relatively of a permanent character, and distinct from articles, expenditure on which was a usual incident of the conduct of the trade and was more or less recurrent each year, such as

linen, crockery, and pots and pans in the case of a hotel or restaurant business. One could not, therefore, regard expenditure on articles of a permanent nature, such as shop fittings, as sums which were 'usually expended', much less as sums usually expended according to an average of three years.

The House of Lords, however, in *Maden & Ireland*, not only pointed out that the reference to sums 'usually expended' no longer appeared in the relevant provision (paragraph (d) of Section 137 of the Income Tax Act, 1952) but further regarded the reasoning in the *Hyam* case as unsatisfactory. As Lord Reid said in his judgment: 'I cannot accept the view that the regularity with which a particular type of expense recurs in a particular business throws much or any light whether it is really capital or revenue expenditure.' The House, however, by a majority considered that the expenditure on renewing the knives and lasts was capital expenditure. Lord Denning, in his dissenting judgment, took the view that while the expenditure on new machines, with the knives and lasts which went with the new machines, was capital expenditure, the cost of renewing the knives and lasts from time to time was of a revenue character. And if such expenditure was of a revenue nature the claim for an investment allowance under Section 16 of the Finance Act, 1954, had to be ruled out, since that provision applied to capital and not to revenue expenditure.

What is Plant?

Assuming, however, that the expenditure on renewing the knives and lasts was capital expenditure, it would still have been necessary to show that the knives and lasts constituted 'plant' in order that the investment allowance under Section 16 (3) of the 1954 Act could be claimed.

The unanimous opinion of the House on this question was that the knives and lasts constituted 'plant'.

There are two important cases in which the meaning of 'plant' has been considered. In *Yarmouth v. France* ((1887), 19 Q.B.D. 658) (a rating case), Mr Justice Lindley stated that the expression would include 'whatever apparatus is used by a business man for carrying on his business - not his stock-in-trade which he buys or makes for sale; but all goods and chattels, fixed or moveable, live or dead, which he keeps for permanent employment in his business'.

In the case of *J. Lyons & Co Ltd v. Attorney-General* ([1949] 1 All E.R. 477), the Court

accepted this definition in relation to trade plant, but nevertheless pointed out that each case must depend on its particular circumstances.

These definitions were approved and applied by the House of Lords in the *Maden & Ireland* case. Not only was 'plant' to be contrasted with 'stock-in-trade' but some degree of durability of the article was implied by the word. Thus articles which were quickly consumed or worn out in the course of a few operations were not likely to qualify. But in the case before the House, the articles in question had an average life of three years. And, although the investment allowance, by its name, appeared to indicate a somewhat lengthy period of life, a period of three years was not regarded by the House as insufficient so as to disqualify an article from the benefit of the allowance.

Conclusion

To sum up, the following principles appear to emerge from the decision of the House in *C.I.R. v. Maden & Ireland Ltd*:

- (1) 'Plant' is distinct from stock-in-trade. It extends to apparatus or instruments used in carrying on the trade or business. Some degree of permanency and durability is implied by the expression, though a life of three years would not be regarded as insufficient for the purpose of qualifying for the investment allowance.
- (2) Where 'plant' may be regarded as 'implements, utensils or articles' employed for the purpose of the trade etc., as they usually will be, the trader is entitled not only to have the cost of their supply, repair or alteration deducted as a trade expense under Section 137 (d) of the Income Tax Act, 1952, but also to claim an investment allowance in respect of the cost of replacing such old 'plant' by brand new plant.
- (3) Where, therefore, brand new plant is bought by way of replacement of old plant, the extent of the trader's relief will be in excess of the actual cost to him of such plant. He can obtain a 100 per cent deduction under Section 16 (3) of the Finance Act, 1954, Section 137 (d) of the Income Tax Act, 1952, and in addition, at any rate 20 per cent of the cost under Section 21 of the Finance Act, 1959, if not also, an initial allowance of an additional 10 per cent.
- (4) The fact that the article is a separate part of a machine which may be regarded as the unit, does not distract from the right of the taxpayer to receive this double relief in respect of the part, notwithstanding that only the part, like the knives and lasts in the above case, and not the whole machine of which it forms part, is renewed.

Weekly Notes

Budget Monday

IT was announced in the House of Commons on March 3rd by the Leader of the House, Mr R. A. Butler, that the Chancellor of the Exchequer will present his Budget to Parliament on Monday, April 4th.

It is, of course, usual for the Chancellor to present his Budget on a Tuesday, although it is no precedent to have a Monday Budget. Since 1922 the Budget has been presented on ten occasions on a Monday, twenty-nine occasions on a Tuesday and in rarer instances on a Wednesday. What is less orthodox, however, is that the Budget statement should be presented before the end of the current fiscal year. Only once since 1926 has this previously happened – in 1952 when Budget day was March 11th.

There are two main reasons for selecting Monday this year. The first is that Parliament is to rise for the Easter recess on Thursday, April 14th, and by advancing the date to April 4th the Government will be able to fit into the time-table the Budget debate and other urgent business; and the second reason is the four-day State visit of President de Gaulle which starts on Tuesday, April 5th, when Ministers will have ceremonial duties to perform.

Institute's New Council Member

MR DAVID STEELE, F.C.A., a partner in the firm of Williamson, Butterfield & Roberts, Chartered Accountants, of Bradford, was elected a



member of the Council of The Institute of Chartered Accountants in England and Wales at a meeting of the Council held on March 2nd and reported elsewhere in this issue. Mr Steele's election fills the vacancy caused by the resignation of Mr E. Duncan Taylor, F.C.A., announced in our issue of February 13th.

Educated at Bradford Grammar School, Mr Steele, who is aged 43, was articled to the late Mr J. W. Gordon Butterfield, and was awarded the William Quilter Auditing Prize in the January 1940 Final examination. Admitted an Associate of the Institute in the same year, he became a partner in his present firm in 1944; he was elected to fellowship of the Institute in 1949.

A member of the Institute's Taxation and Research Committee since 1958 – he was a member of the *ad hoc* subcommittee on sole traders and partnerships – Mr Steele has been a member of the committee of The Leeds, Bradford and District Society of Chartered Accountants since 1946. He served as the Society's President in 1957–58 and has also been a member of the Regional Taxation and Research Committee of which he was for some years secretary. A member of the Bradford Joint Tuition Committee and the recruitment subcommittee, he is a former President of the Bradford and District Chartered Accountant Students' Society (in 1949–50) and, during his articles, he served as secretary.

Institute of Taxation and the Budget

THIS year's representations on the Budget by the Institute of Taxation follow their usual pattern of closely reasoned and compelling logic. Pride of place is given to the replacement of Schedule A by a system of taxing rents, with the concomitant abolition of the illogical tax on owner-occupiers. Notwithstanding the views of the Royal Commission there is no justification for singling out houses for income taxation while other assets such as caravans, boats and jewellery escape. Schedule B is even less logical, as the Institute points out.

The Institute suggests that a fixed and certain tax (perhaps an increase in the rate of profits tax) should replace the uncertain and anomalous effect of surtax direction law. The *Sharkey v. Wernher* principle is also a very deserving object of the Institute's criticisms. The other representations concern the increase in personal allowances for the married and single, a £3,000 minimum income for surtax, Schedule E expenses for disabled employees who are obliged to use expensive transport facilities, and a graduated rate of estate duty for *inter vivos* gifts made some time before death.

Nationalized Company Seeks Resuscitation

FOLLOWING the House of Lords' decision in *Whitworth Park Coal Co Ltd v. Commissioners of Inland Revenue*¹ that payments of interim income under the compensation provisions fell within Case III of Schedule D but that income tax was not properly deductible from them, the liquidator of another colliery company is petitioning that the dissolution of the company be declared void, with a view to recovering tax deducted from payments by the Ministry of Fuel and Power of interim income. The company is (or was) Bairds & Dalmellington Ltd, the major part of whose assets vested in the National Coal Board on nationalization in 1946. The company was dissolved in 1953 after having received payments from which an aggregate of £535,779 income tax was deducted – wrongly as it now appears.

¹ *The Accountant*, November 14th, 1959, page 448.

Gerontius in the Boardroom

MANY senior directors are inclined to think that they possess 'the gift of perpetual old age'. This impression of immortality is no doubt comforting to the directors themselves but it is an attitude which, if carried too far, must be resisted by their junior colleagues. The Institute of Directors, which looks after the welfare of its members with the solicitude of a Royal nanny, has attempted to be helpful to all concerned by appraising the problems, both mental and physical, of the older director in a new publication prepared by its medical research unit¹.

The moral is that crabbed age and youth must learn to work amicably together because, as the booklet puts it, 'the wisdom of the elder statesman is the finest catalyst for the impetuosity of youth'. There is much more in this flamboyant vein (why, for example, say 'falling off in acuity of hearing is an inevitable concomitant of ageing' when 'getting deaf is a sign of old age' would do admirably?) which tends to obscure the underlying soundness of the advice given; but the writing, despite its circumlocutions, is clearly on the wall. The director who feels that old age is creeping over him must adapt himself to the changes in his metabolism and live in the present and not in the past, view youth and its new-fangled notions about automation with tolerance, learn to delegate work and simplify his personal life to a standard approaching ascetism.

The Guillebaud Report

THE report of the Guillebaud Committee, so long awaited by the public as well as by the British Transport Commission and the trade unions concerned, was published last week. It is a thorough and painstaking document and will no doubt become a classic as an exercise in comparative wage scales and skills in British industry.

The report proposes all-round wage increases of 8 per cent for about three-quarters of railwaymen involved. There should be a 10 per cent increase for the rest with extra differential payments of either 5 or 10 per cent for over 100,000 key workers in the industry. The immediate cost of the proposals, if implemented in full, is estimated at £30 million a year; the ultimate cost will be at least £10 million more if they are applied, as they probably will be, to the B.T.C.'s other interests including London Transport.

The committee considers that, in general, manual workers on the railways should have the increase of 8 per cent to give them parity with comparable workers in other industries. It thinks that the proposed 10 per cent increase in rates of pay of salaried staff will achieve the same objective. It has also recommended a very significant cut in the number of railway grades and on this matter, at least in principle, it will have the congratulations of all concerned. The railway unions have already indi-

cated, since the report was published, that they wish to have an immediate implementation of the findings.

If the committee's recommendations are adopted, the Government will in effect have said that the railways are to maintain themselves at approximately the same size as the present time, at least in terms of numbers employed. The technique of the Guillebaud report makes sense only if it is right to say that what other industries pay the railways must expect to pay as well. On this assumption there is no question of the railways being allowed to shrink to a more 'economic' size by the perpetuation of the existing comparatively low rates of pay. The railways are to maintain their size and the Government will be expected either to drastically overhaul railway finances to make this possible or to continue to pay a significant subsidy for an indefinite period.

F.B.I. on the E.F.T.A.

SPEAKING to the Federation of British Industries' southern regional council last week the President, Mr W. H. McFadzean, C.A., referred to the next round of tariff reductions which are to take place in the European Common Market. These will become effective on July 1st, 1960, and this is also the date when the seven countries of the European Free Trade Association are to make their first reductions. To quote Mr McFadzean: 'The future pattern of Atlantic or even of world-wide trading relationships is in effect up for discussion, and no one can as yet foresee what will emerge'.

There is a general unease in this country about the trend of development, or in a sense, lack of development, between the European Common Market and the European Free Trade Association. That disquiet has found, on this occasion, an echo in the remarks of the President of the F.B.I. The members of the European Common Market intend to cut their tariffs among themselves by 20 per cent on July 1st, and by a further 20 per cent at the end of next year, making 50 per cent altogether if the 10 per cent which has already been cut is taken into account. Also on July 1st, they will bring into operation a common tariff towards the rest of the world and this development will in fact be taking place one and a half years ahead of schedule. The practical effect will be that French and Italian tariffs against the outside world will come down significantly while those of the Benelux countries will increase and so will those in Germany, if to a small extent.

As every month passes the economic success of the European Economic community unfolds. The E.C.M. has had its teething troubles but on the whole it has been remarkably speedy in getting into its stride as an economic entity. The faster this development goes on, the more difficult it is for the E.F.T.A. to negotiate with it as a separate entity. If such negotiations should fail there will be no alternative but for individual members of the E.F.T.A. to make their own terms with the E.C.M. and this is precisely what the E.C.M. wishes.

¹ *The Older Director - His Limitations and Advantages* Institute of Directors, 2s net).

New Finance Statistics from O.E.E.C.

A NEW compendium of statistics has been issued by the Organization for European Economic Co-operation called *Statistics of Sources and uses of Finance, 1948-58*¹. It contains a selection of statistics concerning money and credit developments, in the O.E.E.C. area, some of the tables being in a comparative form. One conclusion coming out of the statistics is the considerable reduction in excessive liquidity which most countries have brought about since the early post-war years. It appears that fairly normal levels of liquidity have now been reached in

¹ To be available shortly from H.M.S.O., price 15s net.

most countries and the detailed tables separate the various factors contributing to this result, especially the increase in bank lending.

The study also brings out the complex relationships between monetary factors and 'real' developments, such as the growth of production or changes in the current balance of payments. The big achievement of the publication is therefore to have brought together in one volume a large amount of fiscal and economic data which has been available so far only from scattered sources, and to introduce certain standard concepts and standard methods of presentation so that the performance of different countries within O.E.E.C. can be compared.

This is My Life . . .

by An Industrious Accountant

CHAPTER 15

AN artistically-minded chairman is not necessarily an asset in business, and fortunately our chairman's Picasso-like diversion was nipped in the bud before it could cause any damage.

It all started with our annual report and accounts for the shareholders this year. The booklet used to be a dingy, dreary, buff-coloured pamphlet, with the minimum of depressing figures ('To net balance on revenue account carried forward') supported by a few apologetic footnotes.

But this year's prosperity has transformed the scene. Armed with an ample budget, I commissioned a masterpiece from the printers—expensive cream paper, last year's comparative figures on a pale-blue stippled background, ten past years' figures in impressive appendices, lots of gold leaf, and even two 'cut-the-cake' diagrams following the directors' report. The sconces of *The Accountant* Annual Award seemed to gleam already from the walls of the boardroom.

Then I asked the chairman for his photograph (shrewd touch, I thought, dignified but not too deferential) and the trouble started.

The 'New look' set him off. He brought down a distinguished young artist (a bearded Adonis with an open orange shirt, and an insufferably patronizing manner to his patrons) to design a special cover more in keeping with our new grandeur, and it duly arrived this morning.

The chairman showed it to me rather proudly. A mounted figure, all waving manes and flowing draperies, riding out of a misty past of wreathing smoke into a sort of shape-of-things-to-come foreground. When I asked why the rider's single eye was in his lower cheek, the chairman said shortly that it was symbolic.

He was just designing a tartan border when I pointed out that the horse had only three legs. That

shook him. Symbolism was all very well, but as an old M.F.H., not to mention the pride of the Cavalry Brigade, he regarded the integrity of the horse as sacred. After tracing the draperies carefully to ensure that no limb was obscured by its fellow (my simple suggestion), he kindly explained equine motion to me.

Firstly, the inaccuracies of the Victorian sporting prints showing horses with legs splayed out symmetrically fore and aft, which he illustrated against the boardroom table. Then the modern theory that a horse has a maximum of two legs touching ground at any one moment. Not being a horsey type myself, I couldn't follow this one at all. Actually, I am left cold by the chairman's occasional rhapsodies, on how often Richard Gordon or Valentine Brook won the 'Oaks', or how Red Archer fell at the Beeches after leading the field round Tattersall's corner. (I play contract myself and when I asked the chairman, recently, how he rated Culbertson *vis-à-vis* Goren, he said he never followed those Yankee jockeys.)

However, there is no doubt but that he demonstrated his theory realistically. Bent over on one leg against the mantelpiece, the other thrust out horizontally behind, arms weaving in unison, he made a striking picture. It certainly impressed our auditor, who came in just then and stood paralysed. Only when his cigarette burnt his fingers did that sophisticated adviser sit down limply and try to regain his poise. That clause in our articles of association about a director vacating his office if he becomes of unsound mind, was clearly registering in his brain.

Explanations were somehow rather laboured, till the auditor explained urbanely that his fancy for the 'National' would probably need wings instead of legs to get around, as last time it didn't get airborne at all.

At his suggestion we rang the artist to remonstrate; but that gentleman reacted rather facetiously. The chairman put down the phone indignantly. 'Dam' fella says he's a Londoner, and hasn't seen a horse these twenty years. Asked me to appreciate the subjective psychosis, whatever that means!

* * * * *

By unanimous consent, we have now decided on a plain cover for the booklet.

NATIONAL INSURANCE ACT, 1959

Memoranda issued by the Registrar of Non-participating Employments

We reproduce the following memoranda issued by the Registrar of Non-participating Employments, 10 John Adam Street, London, WC2, for the guidance of professional advisers to employers in regard to 'contracting out' of the State graduated pension scheme. The memoranda are not to be treated as complete and authoritative statements of the law on any point, or as binding the Registrar in giving decisions in particular cases.

Memorandum NPE. 1

1. During discussion between the Registrar's Office and employers and representative bodies, various points of general interest affecting 'contracting out' under the National Insurance Act, 1959, are emerging. This memorandum, which is issued for general information, deals with five of these points.

Equivalent Pension Benefits

2. For the purpose of reckoning the level of pension the minimum rates which may be regarded as providing equivalent pension benefits within the meaning of Section 8 of the National Insurance Act, 1959, for a year of service are 10-61d a week for men and 8-84d a week for women, or £2 6s 2d a year for men and £1 18s 6d a year for women. These rates are based on the average number of weeks in a year, which is 52.18

Computation of Pension

3. Some superannuation schemes contain provisions by which the maximum level of prospective pension may be attained before an employee has reached the age of retirement provided in the scheme though the pension is not payable until that date. The commonest case is perhaps that in which the maximum is attained after forty years' service. The Registrar has been asked:

(a) whether in such a case an employee can be covered by a certificate of non-participation during the period of service between his attaining his maximum prospective pension and the date of his retirement, and

(b) if so, how the equivalent pension benefits should be calculated for the years concerned?

4. The provisions of subsections (2) and (3) of Section 8 of the National Insurance Act, 1959, enable an employee to be covered by a certificate during such a period provided that the pension due on retirement and calculated in relation to the whole period of service will be not less than the equivalent pension benefits defined by Section 8. This applies whether or not the employee reaches his maximum pension entitlement before April 1961. In determining whether or not this test is satisfied, the annual or weekly amount of pension to which the

employee will become entitled at normal pensionable age, being not later than age 65 (60), should be divided by the number of years in the period beginning with the first year of service which counts for calculation of pension and ending at normal pensionable age.

5. The same principle may be applied in cases where for some particular years in the course of service pension rights of less than the minimum specified in paragraph 2 are accumulated. If, however, the Registrar is satisfied that the rate of accrual of pension arising from service in the period from April 1961 onwards is not less than the specified minimum, the earlier period need not be taken into account.

Interim Trust Deeds

6. The Registrar has been asked whether an interim trust deed will be accepted for the purpose of contracting out. There is no objection in principle to the acceptance of such deeds as satisfying the statutory requirement that 'the benefits . . . are secured by irrevocable trust'. The other statutory requirements of a 'recognized superannuation scheme' must, however, also be satisfied either by specific provisions in the interim deed or in rules or other documents.

Description of Classes of Employees by Wages etc.

7. The law requires that certificates issued by the Registrar should specify

'the employments which are to be treated either generally or in relation to any description of persons specified in the certificate as non-participating employments'.

Weekly *earnings*, which are often liable to considerable fluctuations, are not acceptable as a basis for describing classes of employees to be contracted out. Rates of basic wages, or salaries, which do not fluctuate at frequent intervals are, in general, acceptable.

8. Some occupational schemes classify their members, for the purpose of calculating the contributions payable during a particular year, into groups or

ranges based on the amount of their earnings for a previous year, and such groups will, if they are adequately defined in the rules, be acceptable as a basis for describing classes of employees. If such a description is adopted it may be advisable (though not obligatory) for provision to be made that an employee who is contracted out on such a basis should continue to be contracted out even though his salary or wages fall and he is subsequently placed in a lower group or range. If no such provision is made and a particular employee is subsequently placed in a lower class or range, he may cease to be covered by the certificate and the employer will be liable to preserve an equivalent pension for him or to make to the National Insurance Fund a payment in lieu of contributions.

Limitation on Reduction of Pension

9. Many schemes contain provisions for the surrender, commutation or assignment of pension (e.g. by allocation of part of the pension to a wife) or for the reduction, suspension or forfeiture of the whole or part of the pension. Section 8 (1) of the National Insurance Act, 1959, prevents a scheme from being contracted out if there is any provision by which the amount of pension representing the equivalent pension benefit can be surrendered, commuted or assigned or can be terminated or suspended except for prescribed causes. The rules of such schemes will therefore have to be amended if they are to be contracted out to protect that part of the pension which represents the equivalent pension benefit. A number of inquiries have been made with regard to suitable terms for such a provision. The following specimen draft clause is offered for consideration by persons concerned. It may not be found suitable for inclusion in every scheme. In particular the definition of 'service' at the end of paragraph (a) will require adaptation in schemes which

do not already contain any definition of service; for this purpose 'service' may be defined as service in the employment of the employer concerned during which the employee is a member of the scheme. The expression 'member', should also be adapted if necessary to fit in with the actual rules of the scheme.

Specimen Clause

'Notwithstanding the provisions of any of these rules:

- (a) there shall be excluded from the operation of any provision therein for the surrender, commutation or assignment of a pension (including any provision for the making of any election which would cause a pension to be paid at a lower rate) such part of every pension payable under these rules to a member in respect of any period after age 65 in the case of a man or 60 in the case of a woman as would be equal, when expressed as a weekly rate, to the graduated retirement benefit which would be payable to the member under the National Insurance Act, 1959, in return for an amount of graduated contributions equal to one such contribution paid in each week of the period of his service in respect of a weekly payment of remuneration of fifteen pounds; and for this purpose 'service' means service within the meaning of these rules, but to the extent only that it is service in a non-participating employment within the meaning of that Act; and
- (b) such part as aforesaid shall not be capable of being terminated or suspended except for a cause prescribed by regulations made under Section 8 (1) (c) of that Act.'

The Board of Inland Revenue has authorized the Registrar to state that it will not object to the addition of such a clause to a scheme which has been approved under Section 379 or 388 of the Income Tax Act.

Memorandum NPE. 2

Notice to Employees

1. The Registrar has been asked by a number of employers to advise on the form of the notice to be given under Regulation 3 of the National Insurance (Non-participation - Certificates) Regulations, 1959, of their intention to contract out from the State graduated pension scheme. A specimen notice is given in Appendix A. Notice must be given to all his employees who are included in any scheme which would be affected, including those employees who are not to be contracted out in cases where the employer is intending to apply for a certificate which will not cover all the employees in his scheme. The date of expiry of the notice must be at least one month after the date on which the notice is given.

2. If the employer wishes to contract out all the eligible members of the occupational pension scheme

in his employment he may enter in column A 'employment with . . . (name of employer)' and enter 'All persons in the employment who are included in the superannuation scheme' in column B. If he does not intend to contract out all the types of employment in which members of his scheme are employed he should enter accurate descriptions of the types of employment to be contracted out in column A. If all the eligible employees in any such employment are not to be contracted out accurate descriptions of the types of employees to be contracted out should be entered in column B.

3. This specimen notice is issued for general guidance. The use of this particular form of notice is not compulsory and it should not be taken as precluding employers from providing a fuller written explanation in addition to the notice itself.

The Registrar envisages that, whatever form the notice takes, it will be given only after discussion between employers and employees or their representatives.

Notice to Trustees and/or Insurance Company and Committee of Management

4. The same form of notice may be used in giving notice to trustees, and where appropriate an insurance company or committee of management, by substituting the words 'to the trustees (or insurance company or committee of management as may be appropriate) of' instead of the words 'to all employees included in'.

Form of Employer's Election

5. After the expiry of the notice under Regulation 3 of the Certificates Regulations, if the employer wishes to proceed with his intention to elect to contract out he must make his election in writing to the Registrar in accordance with the provisions of Regulation 4 (1) of the Certificates Regulations. No exact form of the election is laid down in the regulation, but certain particulars are required to be supplied. For the convenience of employers wishing to elect a specimen form of election is given in Appendix B. Columns A and B should be completed in the manner indicated in paragraph 2.

Appendix A

National Insurance Act, 1959

NOTICE OF INTENTION TO APPLY TO CONTRACT OUT OF THE STATE GRADUATED PENSION SCHEME

(Regulation 3 of the National Insurance (Non-Participation - Certificates) Regulations, 1959)

This notice is addressed to all employees included in the following superannuation scheme(s):

(Name of scheme or schemes with identifying particulars, such as date of trust deed or number of policy)

(Name of Employer) hereby gives notice, expiring on (date) that he intends to elect that the employments described in column A below shall be non-participating employments for the purposes of Part II of the National Insurance Act, 1959, in relation to the description of persons shown opposite them in column B, being persons qualifying for pension benefits under the above-mentioned scheme who are over the age of 18 and under the age of 65 for men or 60 for women when contracting out begins.

A Employments	B Description of Persons
.....
.....

The Registrar of Non-participating Employments may, if he thinks fit, in the light of any representations made by persons to whom this notice is given, or by organizations representing those persons, defer the issue of a certificate to enable the employer's decision to apply for contracting out to be further considered by those concerned.

Signature

Date

Appendix B

REGISTRAR OF NON-PARTICIPATING EMPLOYMENTS ELECTION BY EMPLOYER

(NOTE: If they have not already been forwarded, a copy of the rules of the scheme, the trust deed or deeds, the insurance policy or annuity contract, as appropriate, should be sent to the Registrar with this election.)

I, I/we..... (name of employer) of
..... (address of employer)

hereby ELECT that the employment(s) described in column A below, service in which qualifies the persons employed in (it) (them) for pension benefits under the.....
.....superannuation scheme (the rules of which have been or are now sent to the Registrar) shall be non-participating employment(s) for the purposes of Part II of the National Insurance Act, 1959, in relation to the description of persons, being persons qualifying for pension benefits under the above-mentioned scheme, shown opposite them in column B as from the beginning of the week appointed by the Minister under Section 1 (1) (a) of the National Insurance Act, 1959, for the coming into operation of the new contribution rates.*

A	B <i>Description of Persons</i>
	(NOTE: If in relation to any employment it is desired that all persons employed in it over 18 who are qualifying for pension benefits under the scheme, including male employees up to age 65 at the date when the certificate comes into force, and female employees up to age 60 at that date, should be contracted out, the word 'All' should be entered in column B.)
.....
.....
.....

2. The address of the principal place(s) of business at which, and the name under which, the employment(s) in 1 above is/are carried on is:

† (a) the same as the name and address given at 1 above, or

† (b) Name

Address.....

3. The names and addresses of the trustees of the trust(s) under which the benefits are liable to be paid are:

* If it is desired that the certificate should operate from any later date delete these words and insert the desired date (which must be a Monday) after the words 'as from'.

† Delete whichever is not appropriate.

4. Notices of the intention to make this election, specifying the superannuation scheme(s) concerned and the employments (or) and description(s) of persons to be affected by the issue of the certificate and containing particulars of the Registrar's power to defer the issue of a certificate in the light of representations, have been given on the date(s) for the periods, and by means shown below:

<i>To whom given</i>	<i>How given</i>	<i>Date</i>	<i>Date of expiry of notice</i>
(i) Employees included in any superannuation scheme(s) affected by the election	(i)	(i)	(i)
† (ii) Trustees of any trust	(ii)	(ii)	(ii)
† (iii) Persons with whom there is any contract of assurance or annuity contract, under which benefits are liable to be paid in connection with any superannuation scheme relating to the employments set out at 1 overleaf	(iii)	(iii)	(iii)
† (iv) The relevant committee of management	(iv)	(iv)	(iv)
† Please delete any of these items which do not apply.			

NOTE: Notices to employees under (i) above may be given by written individual notice or by written notice posted up in some conspicuous place or places at the place of employment, or by such other means as may be appropriate. Notices under (ii), (iii) or (iv) above must be written and delivered or sent by registered post. All notices must be given at least one month before the election is made and the Registrar has to be satisfied that the steps taken by the employer to give notice are reasonable in the circumstances of the case.

5. I apply for the Registrar to determine the question whether the employment(s) described above (is) (are) to be treated as non-participating and if so whether generally or in relation to the description of persons mentioned above and from what date, and I ask the Registrar to issue a certificate of non-participation accordingly.

6. I wish the certificate if issued to operate as from the date on which the new graduated contributions become payable. §

Signed.....
(by or on behalf of employer)

Address

Date

§ If it is desired that the certificate should operate from any later date delete these words and insert the desired date (which must be a Monday) after the words 'as from'.

Finance and Commerce

'Hidden' Reserve

ONE of the biggest of 'hidden' reserves is probably that contained in the balance sheet of The Imperial Tobacco Company (of Great Britain and Ireland) Ltd, the company more commonly known in investment circles as 'Imps'. The size of it can be seen in our reprint this week of the accounts for the year to October 31st, 1959.

In the consolidated balance sheet totalling £253½ millions, quoted trade investments are stated at £15,681,268, an increase of £3,394,338 on the previous book figure, reflecting, says the accompanying 'Explanatory statement', 'additional investment during the year'. The increase, it is added, is small compared with the market value of the quoted investments which was £132,132,503 at balance sheet date. Over a hundred millions of capital appreciation!

One would think that there would be something in or around the accounts which would take one behind the bare figures, but 'Imps', in this respect, lives rather in the past. The company has a substantial holding in The British American Tobacco Co Ltd - as noted in *The Stock Exchange Official Intelligence* - and is credited with a holding in Gallaher Ltd, though the board, while avoiding a direct denial, will not openly confirm the belief.

Turnover

Another point on which 'Imps' has little to say is its turnover. 'There was a further slight decrease in the company's total sales' says the 'Explanatory statement', and that is as far as one gets. Gallaher Ltd, however, whose 'Senior Service' has been gaining popularity, is not so reticent. The chairman's statement with the 1958 accounts (1959 are not due until about May) gave group turnover for that year of £244 million, compared with £204 million in 1957.

'Imps' still adheres to the 'speech at the meeting' form, which is always held at the company's office in Bedminster, Bristol - this year on March 22nd. Shareholders are assured in the directors' report that a report of the annual general meeting will be published in the Press and that copies of the chairman's speech will be posted to all members of the company and to holders of the company's Unsecured Loan stocks.

In the days before the war - and that is getting quite some time back, now - the forwarding to shareholders of a chairman's speech-at-meeting would have been something to talk about - and many companies, it must be admitted, in those days did not even rise to that height; but this is 1960, and the procedure is very much behind the times.

English Electric

'IMPS' may take a lesson from The English Electric Co Ltd whose chairman, Lord Nelson of Stafford, this year gives his statement with the accounts. The foreword says it is the chairman's address to the stockholders to be given at the forty-first annual general meeting. If Lord Nelson follows the customary procedure at annual meetings, however, he will point out that his 'address' has been in stockholders' hands for three weeks so that presumably it may be 'taken as read' - which should leave more time for questions.

There was a case a few years ago where a company shareholder refused to take a statement-with-accounts as read and the chairman had laboriously to read it through. But that was just the softening tactics of an opposition party.

Meanwhile, congratulations to Lord Nelson for this substantial step forward, and for taking the advice we offered when considering his company's accounts last year (April 11th, 1959, issue).

It is necessary to point out to him, however, that he has left out of his address the turnover figures that he gave in his last year's speech-at-meeting. Including the overseas subsidiaries, the group turnover for 1958 was £162 million against £148 million in 1957.

The omission is strange, moreover, for he gives the breakdown of £100 of turnover; £1.05 per cent, for instance, was paid in net dividend on the Preference and Ordinary stocks and from that point, turnover figures are just a matter of arithmetic.

Depreciation Change

THE directors of Westinghouse Brake & Signal Co Ltd have this year decided to abandon the practice of providing depreciation on the reducing value of the company's buildings, plant and equipment. In place of this depreciation method, the assets will now be written off over definite periods of years by equal annual instalments based on their original cost.

Starting off on the new system, the directors set aside out of undistributed profits at September 27th, 1958, and added to the provisions for depreciation the sum of £74,000 - the figure calculated to give effect to the decision as from the dates on which the various assets were purchased.

This year's statement by the chairman, Captain A. R. S. Nutting, gives better news of the 'Vespa' scooter business which was taken over a few years ago with an eye particularly on the manufacturing facilities 'Vespa' brought into the group. The tide in the 'Vespa' business has now been turned and, after last year's loss, the chairman is able to state that increased sales of the scooter appreciably contributed to group trading profit.

CONSOLIDATED BALANCE SHEET, 31st October, 1959.

	ISSUED and converted into Stock	1958	1959	1958	1959
AUTHORISED in shares of £1 each	£	£	£	£	£
CAPITAL OF THE IMPERIAL TOBACCO COMPANY—					
"A" 5% Cumulative Preference.....	6,000,000	4,958,249			
"B" 6% Non-Cumulative Preference.....	6,000,000	5,260,469			
"C" 10% Non-Cumulative Preference.....	3,000,000	2,638,218			
Ordinary	70,000,000	60,100,880			
	85,000,000	72,958,816			
CAPITAL RESERVES	765,113	765,113			
REVENUE RESERVES AND SURPLUS—					
Reserves at 31st October, 1958	60,913,114				
Add: Transfers from Profit and Loss Account...	6,676,781				
Provision no longer required and profits, less losses, on realisation of invest- ments	168,716				
Profit and Loss Account—					
Balance brought forward from previous year	1,969,046				
Add: Unappropriated balance for year ended 31st October, 1959	391,172				
	2,360,218				
	143,842,758				
	8,925,350				
	34,839				
AMOUNTS SET ASIDE FOR FUTURE INCOME TAX					
OUTSIDE INTERESTS IN SUBSIDIARIES...					
LOAN CAPITAL—					
3% Notes, 1965	15,000,000				
4% Unsecured Loan Stock, 1960-70	20,000,000				
4% Unsecured Loan Stock, 1975-80	20,000,000				
	55,000,000				
OTHER BORROWED MONEY—					
Bank overdrafts	21,489,265				
Deposits by Associated and other companies.....	7,421,000				
	29,910,265				
	237,713,212				
OTHER LIABILITIES—					
Creditors, Taxation and accrued liabilities.....	26,927,681				
Dividends (less Income Tax) on the Parent Company's Capital.....	260,989				
Preference Dividends for the half-year to 31st October, 1959	5,153,650				
Proposed Final Dividend on Ordinary Stock	32,342,320				
	£270,055,532				
FIXED ASSETS—					
LAND AND BUILDINGS:					
At cost and at valuation	21,886,751				
At book value on 1st July, 1948	203,163				
Less: Provisions for depreciation.....	22,089,914				
	7,414,726				
	14,675,188				
PLANT, FURNITURE, Etc.:					
At cost and at valuation	39,117,961				
At book value on 1st July, 1948, less proceeds of sales	317,540				
Less: Provisions for depreciation.....	39,435,501				
	20,650,586				
	18,784,915				
	33,460,103				
GOODWILL, PATENT RIGHTS AND TRADE MARKS:					
At cost, less proceeds of sales.....	10,095,069				
Less: Amounts written off.....	437,217				
	9,657,852				
Arising on the incorporation of the book value of the net assets of Subsidiaries in the Consolidated Balance Sheet.....	187,919				
	9,845,771				
	43,305,874				
	9,882,412				
	42,663,037				
SUBSIDIARIES NOT CONSOLIDATED (See Note 4)—					
Shares at cost.....	905,787				
Loan	361,827				
	1,267,614				
TRADE INVESTMENTS—					
Shares (quoted) at cost	15,681,268				
(Market value:—1959 £132,132,503, 1958 £86,805,767)					
Shares (not officially quoted) at cost.....	468,877				
Loan	785,176				
	16,939,321				
CURRENT ASSETS—					
Stock at or below approximate cost and advances to leaf buying organisations abroad.....	147,847,176				
Debtors	60,549,272				
Bank balances and cash.....	150,814				
	208,542,723				
ARNOLD PYM, Chartered Accountant, Chief Accountant.					
R. S. W. CLARKE, Chairman. C. C. W. HAVELL, Director. W. SOMMERVILLE, Secretary.					
	£270,055,532				£270,322,746

THE 'IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st OCTOBER, 1959.

NOTES ON THE ACCOUNTS

	1959	1958
(I) TRADING PROFIT (See Note 5).....	£ 21,685,143	£ 24,293,066
(II) DIVIDENDS AND INTEREST—		
Subsidiary not consolidated	87,645	87,806
Trade Investments	5,949,371	5,396,448
Other sources	9,223	8,670
	6,046,239	5,492,924
(III) PROFIT FOR YEAR (BEFORE CHARGING UNITED KINGDOM TAXATION)	27,731,382	29,785,990
(IV) UNITED KINGDOM TAXATION—		
(i) Estimated to be payable on profit for the year—		
Profits Tax	2,163,968	2,998,074
Income Tax	10,639,697	12,461,633
(ii) Income Tax over-provided on 1958 profits owing to reduction in the standard rate	—	—
Less Transfers to General Reserve £995,667	—	—
	12,803,665	15,459,707
(V) PROFIT FOR YEAR AVAILABLE FOR APPROPRIATION	14,927,717	14,326,283
(VI) PROFITS APPLICABLE TO SHARES IN SUBSIDIARIES HELD OUTSIDE THE GROUP	2,072	1,983
(VII) APPROPRIATIONS—		
Revenue Reserves.....	5,681,114	6,485,019
Amounts written off Goodwill	48,729	81,005
(VIII) DIVIDENDS PAID AND PROPOSED (LESS INCOME TAX)—		
IMPERIAL TOBACCO COMPANY:		
Preference Stocks.....	521,978	490,020
Ordinary Stock.....	8,282,652	7,257,182
	14,536,545	14,315,209
(IX) BALANCE OF PROFIT FOR YEAR...	£391,172	£11,074

- (a) The Holding Company and certain of its Subsidiaries have obligations under guarantees in respect of their employees' Pension Schemes (not provided for in these accounts) which will be discharged by annual payments. For the Holding Company these payments are £312,460 per annum for the next 9 years, and £75,760 per annum for each of the following 7 years; for the Subsidiaries they are £16,770 per annum for the next 2 years, £17,640 per annum for a further 6 years and £10,570 per annum for each of the 2 following years.
(b) The Holding Company has commitments under an agreement with an Associated Company. There are contingent liabilities amounting to £451,220 on partly-paid investments of the Holding Company.
(c) The approximate amounts of contracts for capital expenditure not provided for in the accounts are:—
Holding Company .. £3,775,000 (1958: £1,100,000)
Subsidiaries .. £790,000 (1958: £2,570,000)
- The book values of assets and liabilities in foreign currencies have been converted into sterling on the following bases:—
(a) Fixed assets in U.S.A. and Canada purchased before 31st October, 1939: at \$4.86 to £1.
(b) Other fixed assets: at rates ruling when purchased.
(c) Advances to leaf buying organisations abroad: at cost of remittances.
(d) Other current assets and liabilities: at the rates of exchange ruling on 31st October, 1959.
- The Board of Trade has given approval for the accounts of a group of Subsidiaries trading in Canada not to be dealt with in the group accounts on the ground that the business of the Holding Company and that of these Subsidiaries are so different that they cannot reasonably be treated as a single undertaking.
The financial years of these Subsidiaries end on 30th April and the Directors consider that it is inadvisable to alter this date.
The net aggregate amount, so far as it concerns the Holding Company, of these Subsidiaries' profits, less losses, not dealt with in these accounts was (after charging Canadian Corporation tax) \$ Can. 263,941 (including \$ Can. 263,941 surplus on realisation of capital assets and investments) for the year to 30th April, 1959 and \$ Can. 1,637,912 (including \$ Can. 150,250 surplus on realisation of capital assets and investments) for the period from the date of acquisition (1st December, 1953) to 30th April, 1958.
There has been credited in the Consolidated Profit and Loss Account £69,178 in respect of a dividend paid out of profits earned up to 30th April, 1958 and £18,467 in respect of loan interest.
(b) The Directors are of the opinion that the financial year of a Subsidiary engaged in buying leaf tobacco abroad should terminate soon after the end of the buying season. For this reason the accounts of one Subsidiary included in the group accounts are for the year ended 30th April, 1959.
- The Trading Profit is arrived at after deducting:—

	Holding Company	Group
	1959	1958
Depreciation	1,758,623	1,725,671
Audit fees and expenses	19,934	2,823,230
Interest paid and accrued on Notes	562,500	26,490
Interest paid and accrued on Unsecured Loan	—	562,500
Stocks	1,600,000	1,600,000
Bank and other interest	1,317,283	1,245,978
	2,125,890	2,028,170
- The total emoluments of Directors of the Holding Company (including contributions to Pension schemes) were:—

	1959	1958
Fees	10,000	10,000
Remuneration as Managers	299,236	307,328
Retirement gratuities and pensions to past and present Directors arising from service as Managers	14,842	20,629

CITY NOTES

ANTICIPATION of the Budget is now clearly holding the stock-markets in check. The general setback in prices is tending to level off, but there is little sign that new buyers are prepared to commit funds to the market this side of April 4th - more particularly, since the Budget this year is difficult to evaluate in advance. Although current year revenue has run substantially above the last Budget estimates, the level of Government spending over 1960-61 will be at a record level and the Chancellor's room for manoeuvre must be restricted.

It is in this context of an increasing need for expenditure at home that Sir George Bolton's recent references to the financing of under-developed countries is pertinent. Western Governments emphasize the need for such financing and Sir George considers that this repeated emphasis is apt to convey the impression to the under-developed countries that capital is, in fact, available in abundance. Sir George's main concern is with the Latin American countries, in which, as chairman of the Bank of London & South America, he is intimately connected. In his statement with his bank's 1959 accounts he calls for a greater degree of co-operation between western Governments on this problem, and also for a greater degree of private capital investment in the under-developed territories.

There is obviously a limit to national resources for such funds and the United States' present problems are an indication of the strain now being placed even on American resources. It seems probable, therefore, that private, rather than official and semi-official sources must bear a greater degree of responsibility in this direction in the future.

RATES AND PRICES

Closing prices, Wednesday, March 9th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate			
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills			
Jan. 1	£3 14s 6.24d%	Feb. 5	£4 10s 10.88d%
Jan. 8	£3 14s 11.06d%	Feb. 12	£4 10s 11.30d%
Jan. 15	£3 15s 7.79d%	Feb. 19	£4 10s 10.65d%
Jan. 22	£4 11s 1.19d%	Feb. 26	£4 11s 1.07d%
Jan. 29	£4 10s 9.18d%	Mar. 4	£4 10s 9.34d%

Money Rates			
Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges			
New York	2.80½-½	Frankfurt	11.69½-70
Montreal	2.66½-¾	Milan	1742½-7
Amsterdam	10.58½-¾	Oslo	20.03½-¾
Brussels	139.92½-¾	Paris	13.76½-77½
Copenhagen	19.34½-½	Zürich	12.16½-17

Gilt-edged			
Consols 2½%	47½xd	Funding 4% 60-90	92½
Consols 4%	70½	Savings 2½% 64-67	84½
War Loan 3½%	62½	Savings 3% 55-65	91½
Conversion 3½%	61½xd	Savings 3% 60-70	80½
Conversion 3½% 1969	85½	Savings 3% 65-75	74½
Exchequer 5½% 1966	101½	Treasury 2½%	45½
Funding 3% 66-68	84	Treasury 3½% 77-80	77
Funding 3% 59-69	84	Treasury 3½% 79-81	75½
Funding 3½% 99-04	69½	Victory 4%	94½

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Redemption of Redeemable Preference Shares

SIR, - Although Mr Mistry's argument in his letter in your issue of March 5th, has the merit of novelty, I regret that I am unable to agree with it.

It may be true that a company is able to issue shares at a premium because of the existence of some goodwill element - the applicants for the shares being willing to pay a premium for participation in the future fruits of the goodwill - but to divide the fruit, even among a larger number of people than heretofore, is not to sell the tree.

Furthermore, it is not necessarily true to say that the issue of further shares increases the number of people who will participate in future profits.

In any event it is contrary to both the legal and accountancy concepts to say that when a company issues shares it sells its assets, or any part of them, to the shareholders. What in fact it does is to allow the shareholders to participate in the fruits of the use of the assets, subject to the company's regulations.

Presumably the main reason for the restrictive provision of Section 58 of the Companies Act, 1948, is to protect the creditors. The outcome of profit is an accretion to net assets, and creditors cannot reasonably object if such accretion is properly distributed amongst the shareholders. If the company, however, elects to use such accretion to repay preference capital, it becomes necessary to prevent the same profits being used also as justification for a dividend distribution, hence the necessity for the capital redemption reserve fund.

On the other hand, if the accretion to assets springs from the proceeds of an issue of shares, the

creditors are not adversely affected if the company uses this accretion to repay preference capital, the funds of the company being the same after the operation as they were before it.

If this reasoning is correct then there are still stronger grounds for saying that when Section 58 refers to the proceeds of a fresh issue of shares, it means precisely what it says and that any premium is part of such proceeds.

It is perhaps enlightening to read what the Cohen Committee on Company Law Amendment had to say about premiums. In paragraph 108 of their report it is stated that share premiums are in essence capital, and it is recommended that the share premium account should be treated as if it were paid-up share capital. This would appear to represent, at least, the legal and accounting views of what a share premium is, namely a capital receipt. This is not to say, however, that it is a receipt arising from the sale of assets by the company.

It may be true that if after the issue of further shares the company does not increase the amount distributed by way of dividend, the market price of each share will drop, but it is also true and much more relevant to say that, other things remaining constant, the aggregate value of the shares in issue will be the same after the new issue as it was before it.

It would be possible to illustrate all these matters by introducing simple examples, but this letter is already long enough.

In conclusion I must say that although I am always attracted by novel arguments, I find it impossible to find any logical path which if followed would lead me to Mr Mistry's conclusions,

Yours faithfully,
Conway. V. RONALD ANDERSON.

Bass Capitalization

SIR, - When you have given in the 'Finance and Commerce' columns of this week's (March 5th) issue of *The Accountant* such a masterly exposition of what is quite an involved transaction, it is a little unkind to point out a slight inaccuracy but we do so in order to avoid any misunderstanding on the part of our stockholders.

The remaining 184,199 stock units, together with any arising from the ignoring of fractions, have been placed by the issuing house at a price materially in excess of the rights offer of 22s 6d.

Yours faithfully,
Burton-on-Trent. R. D. R. BATEMAN,
Director and Chief Accountant,
BASS, RATCLIFF & GRETTON LTD.

Salaries (and Fees) in the Profession

SIR, - The correspondence which has taken place over the last few weeks deals with one of the most important aspects in the profession at the present time. The smaller practitioner, which expression includes, I should imagine, something like 75 per

cent of members in practice, is finding it increasingly difficult not only to pay an adequate reward to his staff, but also to maintain his own standard of living. I feel that the reasons behind this difficulty are twofold.

Firstly, there is the competition from the unqualified or part-time accountants who, although they may not make their presence felt to any large extent by taking clients away from the qualified accountants, do exercise a considerable influence on the figure at which fees must be fixed in that if the fees were computed at a correct figure then there would be a considerable loss of clients, especially the smaller ones, to the cut-price accountants.

Secondly, ours seems to be one of the few professions where those in practice are given little or no guidance on the rates at which they should charge for work. Doctors and dentists receive the large part of their remuneration from the Government on a fixed scale. Architects and estate agents are entitled to charge on a percentage basis, and solicitors, at least so far as their conveyancing work is concerned, have a scale fee laid down, and I believe that so far as other charges are concerned they also receive a considerable amount of guidance from The Law Society. The result of no fees scale being available is that there is a considerable portion of potential clients who choose an accountant for the size of his fee rather than for the quality of his work. We are surely one of the few professions who have to stand competition from the unqualified man. Anyone can put his plate outside an office and call himself an accountant and auditor, and apparently unless he is proved grossly inefficient his figures are accepted by the Inland Revenue. I know this for a fact as over the last ten years my firm have taken over the practices of four different unqualified accountants in the district and their methods of working and the variety and quantity of errors that they have made need to be seen to be believed.

Some years ago a Public Accountants' Bill was mooted. There were obviously many snags and difficulties which had to be overcome, but the Bill appears to have been dropped. Presumably one of the greatest difficulties that would have to be faced was that anyone who was in practice at a particular date, be he qualified or not, would have to be registered as a public accountant. The value of the registration of accountants, therefore, would not have been felt immediately, but it would mean that once accountants were registered that at any rate any fresh entrants into the profession would have to obtain a reasonable qualification. I believe the dentists had a similar situation in the early 1920s, but by now there are few unqualified dentists in that profession.

While it is difficult to lay down any way of charging fees for audit and accountancy work, and even more difficult to lay down a scale for taxation work, I do think that some scale could be worked out, although in putting forward these suggestions I would say that I am not entirely happy about their possible use.

Accountants have in the past always considered that their charges must be based on time spent and are debarred from charging on a basis of tax saved. But at any rate so far as insolvency work is concerned the amount of the fee has to be translated into a percentage of realizations and disbursements, and again, auditors of registered clubs have their fees fixed in relation to turnover of the club. If accountants had a fixed scale laid down for their accountancy and audit work based on a similar method, i.e. a percentage of purchases plus sales, at any rate then some minimum scale would be available. Obviously some clients would be paying considerably more than they are at the moment and others might pay less and the scale would be unfair as between certain individual clients, but on the average it would work out reasonably. A percentage basis is, of course, never entirely fair to everyone. For example, a solicitor charges for conveyancing work on a scale based on the purchase or selling price of a house, and the work involved in conveying a property at £500 can be almost as much as that involved in conveying a £5,000 house, but the amount of fees charged by the solicitor for the two transactions bears no comparison.

Obviously the scale would have to be a sliding one and different scales would have to apply for different types of businesses because the same scale could not be used for a large manufacturer and a small retailer.

The views of your readers on the suggestion and on the question of reviving the Public Accountants' Bill would be interesting.

Yours faithfully,

Pontefract, Yorks. J. D. M. ELLIS, F.C.A.

Work of the Small Practitioner

SIR, - I was puzzled and alarmed at the remarks of the President of the Institute at the Southampton and Cardiff dinners reported in your issue of February 27th regarding the work of the small provincial practitioner.

Nearly thirty-five years ago I had the honour of being articled in the President's firm and there did my fair share of the monotonous casting, posting and vouching that was the lot of the articled clerk before there were many mechanical aids to book-keeping and accountancy. I was also fortunate enough to have training in all other branches of the profession, but the President now appears to indicate that this may have been quite unnecessary for one who has his own practice in a provincial and farming area.

It is, I think, a disservice on the part of the President towards what he admits is a substantial percentage of chartered accountants to use such phrases as '... work done is often only a matter of using a typewriter ...' and '... a great number of our professional colleagues are employed on work for which the high standards of our training are not applicable ...' and again 'the work is hard and mostly personal and leaves no time for keeping abreast of the continually advancing technique of the profession'.

The President admits that 'The Institute's duty is to represent and assist all its members' - but do they in fact do this? The disparaging remarks quoted above seem to me to be designed to have precisely the opposite effect at any rate so far as the country practitioner is concerned. Whereas I expect most provincial practitioners could cope adequately and correctly with the audit of a limited company's accounts and if they had any doubts they could refer to the Institute Recommendations, I doubt whether many London or City members (including members of the Council) could sit down and prepare a reasonably accurate statement from the documents brought into the office by the average small farmer, consisting of possibly bank sheets with only numbers and no name on them, accounts which no longer indicate whether they have been paid or not, a small collection of egg packing station slips and a rough note of animals in stock. What recommendations of the Council, I wonder, or what advancing technique of the profession would the President consider of assistance to us under these very normal circumstances?

In your same issue a correspondent, who unlike myself prefers to write under a *nom de plume* suggests that a service could be rendered by the Council making a survey of salaries and fees in the profession and publicizing this. It would also be a real service to the provincial chartered accountant, if the Institute could publicize the advantages of instructing a qualified accountant as against the unqualified accountant, the estate agent and the solicitor who the President readily admits is a strong competitor for the work in the provinces.

I know that I speak for many accountants in similar positions to my own who for a long time have been looking for some practical assistance from the Institute, but which, alas, seems never to be forthcoming and which one feels may be even further away when one reads of the speeches to which I have referred.

Yours faithfully,

Taunton.

R. S. FROST.

Company Stationery

SIR, - A company using continuous stationery for invoicing finds that it can buy its printed invoices much cheaper by purchasing sufficient at one time to last for three years.

The invoices, being printed with the company's name, are only usable by that company and are, therefore, not saleable should that company go into liquidation: fortunately, the company in question is extremely prosperous and that unpleasant event is a more than remote contingency.

How should the initial purchase of these invoices be dealt with - written off in the first year, or spread over three years? The figure involved is some hundreds of pounds, and the Inspector of Taxes might have some comments to make.

Yours faithfully,

B. B. B.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

C.I.R. v. Hinchy

In the House of Lords – February 18th, 1960
(Before the LORD CHANCELLOR (Viscount KILMUIR),
Lord REID, Lord RADCLIFFE, Lord COHEN and
Lord KEITH OF AVONHOLM)

Income tax – Penalty – Savings bank interest understated in return – Assessments in respect of all income for tax year in question – Writ for penalty – Amount of penalty – Income Tax Act, 1805, Section 118 – Income Tax Act, 1842, Section 55 – Income Tax Act, 1918, Section 107 – Finance Act, 1923, Section 23 (2) – Income Tax Act, 1952, Sections 18, 19, 21, 22, 23, 25 (3), 26, 27, 28, 29, 30, 48, 49, 55, Schedule VI, paragraph 4.

The respondent entered in his income tax return for 1952–53 the sum of £18 6s as the amount of deposit interest, whereas the correct amount was £51 5s 9d. The discrepancy was discovered by the Inspector of Taxes, and an assessment was made on the respondent for the correct amount and the tax payable on this assessment was £14 5s. The respondent was also assessed under Schedule E in respect of his employment, and the tax on this assessment was £125 6s 6d.

Subsequently a writ claiming a penalty in the amount of £438 14s 6d was issued, and at the time of the issue of the writ assessments had been made on the defendant in respect of all the tax to which he was liable for 1952–53. The claim to the penalty was based on Section 25 (3) of the Income Tax Act, 1952, and was in an amount equal to three times the total amount of tax payable by the defendant for 1952–53 plus £20.

Held: (reversing the judgment of the Court of Appeal) the account of the penalty had been correctly computed.

C.I.R. v. Bernstein

In the High Court of Justice (Chancery Division) –
February 15th, 1960

(Before Mr Justice DANCKWERTS)

Surtax – Settlement – Accumulation during settlor's lifetime – Then part to children of settlor and part to wife – On wife predeceasing settlor with no children, then to a sister – Whether settlor had an interest in settlement – Trustee Act, 1925, Sections 31, 32, 69 – Income Tax Act, 1952, Section 405.

The settlor settled a trust fund for the income to be accumulated during his lifetime. After his death one-third of the trust fund was to be held for any children he might have, and two-thirds were to be held in trust for his wife absolutely. If the wife died in the settlor's lifetime, leaving children, the trust

fund was to be held for those of the children who were living at the settlor's death. If there were no children, the trust fund was to go to the wife absolutely, but if she predeceased the settlor without leaving any children, it was to go to her sister.

It was contended by the appellants that though no income could become payable to or for the benefit of the settlor, income might become payable for the benefit of his wife, because of the power of advancement in Section 32 of the Trustee Act, 1925.

The appellants also contended that the wife might be past the age of child-bearing and, therefore, her children and her sister could consent to an advancement of the trust fund. It was contended on behalf of the respondent (1) that a contrary intention, within Section 69 (2) of the Trustee Act, 1925, had been expressed in the settlement; (2) that only the children of the marriage formed the class to whom Section 32 of the Act related.

Held: (1) advancement was precluded, as there was a contrary intention expressed in the settlement deed; (2) the rule that no woman is treated as beyond the age of child-bearing was applicable; (3) the children had only a contingent interest in two-thirds of the trust fund; (4) that Section 405 did not apply to the case.

Wilkins v. Rogerson

In the High Court of Justice (Chancery Division) –
February 16th, 1960

(Before Mr Justice DANCKWERTS)

Income tax – Schedule E – Perquisites or profits – Employee fitted with clothing – Payment by employer – Amount to be assessed – Income Tax Act, 1952, Schedule 9, paragraph 1.

A company made a present, to each of twenty-one of its employees, of a suit of clothing or an overcoat or a raincoat; and the company arranged with a tailor to provide the employees with the clothing chosen. The bills for the clothing were sent to the company and were paid by the company. The respondent, one of the employees, obtained a suit which was priced at £14 15s. This amount was assessed on him under Schedule E. On appeal he contended that none of this sum formed part of his emoluments, and, alternatively, that the amount on which he was assessable was less than £14 15s. The Special Commissioners decided that the respondent was assessable in respect of the suit, but only on the amount representing the value of the suit to him. This amount was fixed by agreement at £5.

Held: the decision of the Special Commissioners was correct.

HELPING FARMERS AND SMALL TRADERS

PRESIDENT'S SPEECH AT SHEFFIELD DINNER

Small traders and farmers are a vitally important section of the trading community but there is a danger that over a period of years they may be driven out of business; if there is anything we can do to stop this happening we should do it, said the President of The Institute of Chartered Accountants in England and Wales at the annual dinner of the Sheffield and District Society of Chartered Accountants on Thursday of last week.

The President, Mr C. L. Peat, M.C., M.A., F.C.A., who was replying to the toast of the Institute, proposed by the Master Cutler, said:

'A number of the members of the Institute are either wholly or partly engaged on the accounts and taxation work of small traders and farmers. In my opinion, the small business man in trade or agriculture is in some danger of gradual extinction, which would be a severe blow to the nation and our profession. If there is anything we can do to stop this happening, we should do it.

'As far as I am aware, it has not been the Institute's practice in the past to make suggestions for the improvement in trading or accounting methods - and the two must go together - to any particular trade or class of trader, and the remarks I am about to make are entirely personal. The modern trend in all branches of industry is towards bigger and ever bigger concentrations, and where physical amalgamation does not take place, members of an industry frequently form associations which, although they do not fix prices, bring the members into close consultation with regard to most important matters such as research, standardization, advertising, export markets, representation before Government departments, and in some cases costing. By this method they are kept informed of trading conditions at home and abroad by joint market research, and together they discuss how best to take advantage of the opportunities that offer themselves. I believe these tendencies are all to the good and that chartered accountants should do everything they can to further them.'

Hard Working and Independent

It was, however, a very different state of affairs with regard to small traders and agriculturalists, whom Mr Peat described as 'a numerous, hard working and independent group of people - a vitally important section of our trading community, which we should do all in our power to preserve'. At the present time there is a danger that over a period of years they may be driven out of business. Mr J. K. Knowles, the General Secretary of the National Farmers' Union, was reported as saying recently:

'This is the challenge of the sixties. Can we, as a free association of individual enterprises, organize ourselves to stand up in a world of big business, or shall we, one by one, section by section, lose our identity in big groups whose power lies in other hands?'

and the President continued:

'To my mind there is something more to it than the ruthless move towards efficiency. Our people have souls as well as bank accounts and it is good for individual morale for a man to run his own show, and especially so for a farmer. The small farmers are the backbone of our nation, but like anybody else they cannot exist unless they conform to modern trends.'

Mr Peat then referred to the small shopkeepers or

business men, whose position, he said, is steadily becoming more difficult by reason of the cut prices of the chain stores and the conditions of the super-markets.

'Some of the groups of traders have already begun to form associations to combat the encroachments on their livelihoods, but by and large they are slowly drifting into an impossible position, with their best lines of sales evaporating and being left with the awkward and more unprofitable commodities.

'One often hears about small farmers and traders who are shrewd enough and experienced enough to do without accounts and research; they are said to have a sort of sixth sense which leads them to take the right action at the right time. This may have been true in the past, but I doubt whether our agriculturalist, large or small, is going to cope with the continent of Europe in "sixes" or "sevens" by hunches, and I believe the same will be true of our traders as a whole.'

Intelligent Co-operation Needed

We were entering a period of complex and very keen competition when small traders and farmers would only be able to keep their heads above water by intelligent and effective co-operation. In this sphere, said Mr Peat, management accounting, both in its simplest and in its more specialized form, must play a most important part.

'I stress the term "management accounting" because we have got to break through the point of view held by so many small traders and agriculturalists that the only accounting records they are going to keep are those which help them to make as good a deal as possible with the Inspector of Taxes. One so often hear said "I cannot afford to keep accounts". Our job is to prove that no business man - and agriculture is very much a business - can afford not to keep accounts if he wants to survive.

'I do not refer to the historical records of the past years, but to progressive accounting records drawn up in such a way that they indicate efficiency or inefficiency in the main lines of business, and can be compared, in the case of farmers, with the average district results prepared by the agricultural committees.'

As both farmers and traders were getting together in associations to protect their interests and increase their efficiency, they could apply the same principles in the co-operative use of accountants who could advise them on simple methods of keeping accounting records which could be used for taxation purposes, and much more important still, for efficiency purposes. Such services could be available to individuals and/or groups of traders and would not necessarily mean disclosing anybody's private results. The President concluded:

'I know the task is going to be difficult but I believe it must be done. We, as a profession, have passed the point of no return in management accounting and I hope we shall do all we can to bring it to those who need it most.'

In proposing the toast, Mr P. J. C. Bovill, J.P., the Master Cutler, said the functions of accountants had widened enormously and they had become industrial advisers, and many occupied influential positions in industry.

In public practice they had been described as 'business doctors' and he was sure that their standing and reputation had never been higher than it was today. Reports of accountants, whether in industry or for private clients, could be accepted without hesitation.

The Institute, moreover, exercised influence in high governmental circles and no doubt was contributing already to the views given to the Chancellor of the Exchequer at this time of the year. While he felt that the Chancellor would not have much room in which to manoeuvre in his Budget, with the increasing Government expenditure, wage settlements, and the necessity to be on the look-out for signs of inflation, perhaps they could urge on him some degree of clearing up in the jungle of tax law, and some adjustment in personal allowances.

Field-Marshal Lord Harding

The toast of 'The City and Trades of Sheffield' was proposed by Field-Marshal Lord Harding of Petherton who said he was very proud to speak in Cutler's Hall which for centuries had been the home of one of the foremost, if not the most distinguished craft company in the United Kingdom.

Sheffield, with its great craftsmanship, had made a tremendous contribution to the country's national reputation on which its position in the world depended. Sheffield's name or hallmark was renowned throughout the world. The city contributed steel to cutlery used in everyday life, to the instruments of war used to maintain the national position, and to the great industries on which the country depended for its national wealth and prosperity. Sheffield stood for steel and steel stood for strength.

Replying, the Lord Mayor of Sheffield, Alderman A. V. Wostenholme, J.P., said that during his year of office he did not think the toast had been proposed by a more distinguished guest. They could not have progress without spending money; that was one of the things they had to face. They were proud to link Sheffield with quality.

The toast of 'The Guests' was proposed by Mr J. S. Wortley, F.C.A., President of the District Society, and Mr A. Brian Sellers, former Yorkshire cricket captain, responded. A vote of thanks to Mr Wortley for all he had done for the Sheffield Society, proposed by Mr J. W. Richardson, F.C.A., the Vice-President, was received with acclamation.

MANCHESTER CHARTERED ACCOUNTANT STUDENTS' ANNUAL DINNER

Mr G. D. Ashcroft, F.C.A., President of the Manchester Chartered Accountants' Students' Society, presided at the Society's annual dinner held at *The Midland Hotel*, Manchester, on March 3rd. More than 200 members and guests attended and among those present were Judge Sir Basil Nield, C.B.E., Q.C., Recorder of Manchester; Mr S. J. Pears, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales; Mr John Coatman, C.I.E., M.A., a former North Regional Controller of the B.B.C.; and Mr John Dekker, President, Manchester University Union.

Judge Sir Basil Nield proposed the toast of 'The Institute of Chartered Accountants in England and Wales' and coupled with it a toast to the Vice-President of the Institute, Mr S. J. Pears.

Replying to the toast, Mr Pears said that accountants had not yet convinced themselves of their worth and should charge higher fees. Referring to management accounting, he stated that students should not run away with the idea that anybody could do it: it was necessary to specialize.

A tremendous amount of work, said Mr Pears, was being put into the educational side of the profession and by the end of the year he expected that some of the results of these deliberations would be known.

Mr John Coatman, proposing the toast of 'The Manchester Chartered Accountants Students' Society', said that as one looked into the future, one saw the profession becoming more and more important as new great businesses grew up. The demand on the profession was going to be greater.

The accountancy profession, the police and legal system were three institutions responsible for the internal health of the country, he said, and it was important to closely watch any attempts to dilute their powers.

Mr Ashcroft, replying to the toast, said it gave him much pleasure to welcome Mr Pears, particularly as Mr Pears was his wartime chief in a department of the civil service known affectionately as 'Con 5.'

He paid tribute to Mr Arthur Eaves, M.M., F.C.A., who had worked for the greater part of his life for the profession and had served the society on many occasions, and as a former President.

Continuing, he said that the committee had stressed over and over again that the students' society existed as a meeting-place to bring together young people who could mix and debate on a variety of subjects. This was to help them to broaden their outlook and would help steer them clear of being merely technicians.

New Era

This was a new era, the age of the scientist, inter-planetary rockets, electronics and, for accountants, a future dominated by electronic data processing.

No longer could they count on the ignorance of their clients, said Mr Ashcroft. 'They would talk to you in the language of their pet management and accounting ratios, and you would be expected to be a man who could give the client confidence not only that you could skilfully unravel his tax problems but would advise, guide and help him with the new problems of the day.'

He thanked the members of the committee for their work and paid a tribute to the staff, and particularly Miss Ritchie, for the help they had given him.

Mr C. N. Elliott, a student member of the committee, proposed the toast of 'The Guests', and Mr John Dekker responded.

Mr Eaves concluded the speeches with an expression of thanks to Mr Ashcroft who, he said, was the first incorporated accountant to become President of the Students' Society.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, March 2nd 1960, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs J. Ainsworth, C.B.E., E. Baldry, O.B.E., C. Percy Barrow-cliff, W. L. Barrows, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillet, M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, J. S. Heaton, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., W. Bertram Nelson, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs G. F. Saunders, K. G. Shuttleworth, C. M. Stachan, O.B.E., J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., and Sir Richard Yeabsley, C.B.E.

Election to the Council

Mr David Steele, F.C.A., Bradford, was elected a member of the Council to fill the vacancy caused by the resignation of Mr E. Duncan Taylor, F.C.A.

Appointment to Committee

Mr J. C. Montgomery Williams, F.C.A., was appointed to serve on the Investigation Committee.

Birth of a Royal Prince

It was unanimously agreed that a message of congratulation be sent to Her Majesty Queen Elizabeth II and to His Royal Highness The Prince Philip, Duke of Edinburgh, on the birth of a son.

Banquet in Guildhall

A banquet for members of the Institute will be held in Guildhall on Friday, October 14th, 1960. An invitation to apply for tickets will be issued to members in due course. If necessary, vacancies will be allotted by ballot after a closing date to be specified. Members are requested not to communicate with the Secretary on this matter until the invitation has been issued.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to. One application was refused.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Registration of Articles

The Secretary reported the registration of 286 articles of clerkship during the last month, the total number since January 1st, 1960, being 485.

Admissions to Membership

The following were admitted to membership of the Institute:

Ackerman, Maurice; A.C.A., 1960; 124 Northwold Road, Clapton, London, E5.
Adams, Gerald Joseph; A.C.A., 1960; 16 Colebrook Road, Shirley, Solihull, Warwicks.
Addison, Ronald; A.C.A., 1960; 38 Calvert Lane, Hull.
Agutter, Ian Harvey; A.C.A., 1960; 71 Station Road, West Wickham, Kent.
Alalade, Evans Durodola; A.S.A.A., 1960; University College Hospital, Ibadan, Nigeria.
Allanson, Kenneth; A.C.A., 1960; 3 Woodbine Crescent, Stockport, Cheshire.
Allen, Barry; A.C.A., 1960; 'Greenways', West End Avenue, West Auckland, Bishop Auckland, Co. Durham.
Allen, Nicholas Chatterton; A.C.A., 1960; Avon View Cottage, Burwalls Road, Leigh Woods, Bristol.
Allen, Trevor Frederick; A.C.A., 1960; 227 Court Lane, Erdington, Birmingham, 23.
Allman, George Ernest; A.C.A., 1960; 15 Wythenshawe Road, Northenden, Wythenshawe, Manchester, 22.
Allsopp, Richard Malcolm; A.C.A., 1960; 36 Arundel Avenue, Treeton, near Rotherham.
Allton, Christopher Paul Westoby; A.C.A., 1960; 11 Manor Park, Ruddington, Nottingham.
Aman, Anthony John, B.A.; A.C.A., 1960; c/o Oxford and Cambridge Club, Pall Mall, London, SW1.
Anderson, Ariel George Vernon; A.S.A.A., 1960; 51 Briley Court, Jager Street, Hillbrow, Johannesburg, South Africa.
Andress, William Graham; A.C.A., 1960; 3, Surrenden Road, Brighton, 6.
Ansell, David Thomas; A.C.A., 1960; 14 North Circular Road, Palmer's Green, London, N13.
Anthoney, Alan; A.C.A., 1960; 53 Craigwell Crescent, Stockton-on-Tees, Co. Durham.

¶ Denotes member in practice.

§ Means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

- Appleyard, Brian Walmsley, A.C.A., 1960; 'Little Dean', Smithills Dean Road, Bolton.
- Armstrong, Alan Vincent; A.C.A., 1960; 8 Heath Hurst Road, London, NW3.
- Ascott, Geoffrey John; A.C.A., 1960; 48 Parkside Way, North Harrow, Middlesex.
- Ashby, Anthony James; A.C.A., 1960; 22 Sandringham Road, Southend-on-Sea, Essex.
- Ashworth, John Stuart; A.C.A., 1960; 406 Rossendale Road, Burnley.
- Ashworth, Simon Holmes; A.C.A., 1960; The Cottage, Shotesham, Norwich, Norfolk.
- Atherton, Michael John; A.C.A., 1960; 9 Catherine Road, Surbiton, Surrey.
- Atkinson, John Wilson; A.C.A., 1960; with Oakley, Wederill, Crouch & Co, 9 Devereux Court, Strand, London, WC2.
- Attwood, Herbert Gordon; A.C.A., 1960; 29 Cranmore Road, Chislehurst, Kent.
- Austin, Brian William; A.C.A., 1960; 48 Upper Kent Street, Leicester.
- Austin, Eric Dudley; A.C.A., 1960; 17 Earls Court Road, Penylan, Cardiff.
- Bacon, Charles Phillip, A.C.A., 1960; 3 Staindrop Crescent, Darlington.
- Bailey, David Malcolm Graham; A.C.A., 1960; 7 Lansdowne Crescent, London, W11.
- Bainbridge, Robert John; A.C.A., 1960; 33 Meadow Bank Avenue, Sheffield, 7.
- Baird, Colin William Graham, M.A.; A.C.A., 1960; 26 Bramham Gardens, Earl's Court, London, SW5.
- Bajaria, Chandrasinh Hansraj; A.C.A., 1960; P.O. Box 656, Dar-es-Salaam, Tanganyika, East Africa.
- Baker, Laurence; A.C.A., 1960; 35 Cranmer Road, Edgware, Middlesex.
- Baldwin, David Henry; A.C.A., 1960; 14 Montefiore Road, Hove, 4, Sussex.
- Ballard, Peter Charles; A.C.A., 1960; Maxey House, Castle Hill, Duffield, Derbyshire.
- Banks, Peter Derek; A.C.A., 1960; 5 Manston Grove, Cross Gates, Leeds, 15.
- Barker, John; A.C.A., 1960; 53 Ashfield Road, Gosforth, Newcastle upon Tyne, 3.
- Barnes, David Charles Enwright, A.C.A., 1960; 'Glen-garriff', Hursley Hill, Whitchurch, Bristol.
- Barnes, Edward Callister Machen; A.C.A., 1960; 7 Albany Road, St Leonards-on-Sea.
- Barratt, Eric George; A.C.A., 1960; 'Gable House', Marlow Road, Stokenchurch, Bucks.
- Barton, Brian Henry; A.C.A., 1960; 4 St James' Close, Whetstone, London, N20.
- Bastin, Clive David; A.C.A., 1960; 16 Coolhurst Road, Crouch End, London, N8.
- §Basu, Raghavendra Nath; A.S.A.A., 1960; 48 Belsize Park, London, NW3.
- Bates, David John; A.C.A., 1960; 16 Sun Street, Stanningley Pudsey, Yorks.
- Bateson, Robin Trevor; A.C.A., 1960; 5 Duchy Road, Hadley Wood, Barnet, Herts.
- Batten, Noel Haydn; A.C.A., 1960; 24C Hornby Road, Bootle, 20, Lancs.
- Baybut, Leonard John; A.C.A., 1960; 61A Ravensbourne Road, Bromley, Kent.
- Beardmore-Gray, John Duncan Invernairn, M.A.; A.C.A., 1960; Ambarrow Farm, Sandhurst, Camberley, Surrey.
- Beattie, Arthur; A.C.A., 1960; 'Greengate', Long Preston, Skipton, Yorks.
- Beeton, David Frederick; A.C.A., 1960; 6 Winchelsey Rise, South Croydon, Surrey.
- Bell, Norman William; A.C.A., 1960; 87 Scott Hall Grove, Scott Hall Road, Leeds, 7.
- Bennett, Derek Clinton; A.C.A., 1960; 8 York Road, Birmingham, 14.
- Bennett, Ronald Wallace; A.C.A., 1960; 227 Ralph Road, Shirley, Solihull, Warwicks.
- §Benson, William; A.S.A.A., 1960; 58 Cliff Road, Fairfield, Buxton, Derbyshire.
- Berlyn, Gerald A.C.A., 1960; 2 Kingshold Road, Hackney, London, E9.
- Berry, John Alexander; A.C.A., 1960; 178 Thorne Road, Doncaster.
- Berry, John Russell Whiteway; A.C.A., 1960; 194 Sutherland Avenue, Welling, Kent.
- Berry, Michael Francis; A.C.A., 1960; 43 D'Eyncourt Road, Wednesfield, Staffs.
- Betesh, Daniel Joseph; A.C.A., 1960; 7 Cranmer Road, Didsbury, Manchester, 20.
- Beynon, Raymond John; A.C.A., 1960; 'Oaklea', Llangennith, Swansea, Glam.
- Bharoocha, Mohamed Hashim; A.C.A., 1960; 50 Evelyn Gardens, London, SW7.
- Birch, Christopher Charles; A.C.A., 1960; Cheddleton Heath, Leek, Staffs.
- Bird, Geoffrey Paulin; A.C.A., 1960; 12 Hove Park Way, Hove, 4, Sussex.
- Birnie, James Tullideph; A.C.A., 1960; 42 Hurst Park Avenue, Cambridge.
- Blake, Richard John Bowden; A.C.A., 1960; Stanmore, Pennymead Rise, East Horsley, Surrey.
- Bland, Derek Albert; A.C.A., 1960; Danehurst, Rectory Road, Basildon, Essex.
- Blee, Michael Anthony; A.C.A., 1960; 118 Penhill Road, Bexley, Kent.
- Blow, Denis Stephen; A.C.A., 1960; 97 Laceby Road, Grimsby.
- Blumenthal, Lionel, B.A.; A.C.A., 1960; Garden Flat, 10 Belsize Park, London, NW3.
- Boldron, Dennis; A.C.A., 1960; 236 Fossway, Walkergate, Newcastle upon Tyne, 6.
- Bolger, Michael Anthony; A.C.A., 1960; 8 Hoodcote Gardens, Winchmore Hill, London, N21.
- Bolland, John Herbert; A.C.A., 1960; 192 Normandy Road, Handsworth, Birmingham, 20.
- Bone, Michael John Stuart; A.C.A., 1960; Sandiford, Maxwell Road, Northwood, Middlesex.
- Boreham, John Stokes; A.C.A., 1960; 16 Old Lodge Lane, Purley, Surrey.
- Bowden, Philip John; A.C.A., 1960; 89 Harborne Road, Edgbaston, Birmingham, 15.
- Boxhall, Richard Charles; A.C.A., 1960; Wardes, Otham, Maidstone, Kent.
- Braid, Michael James; A.C.A., 1960; 'Dene Leigh', Walsshaw Avenue, Colwyn Bay.
- Bramley, Barry David; A.C.A., 1960; Rose Heath, Halewood, near Liverpool.
- Branch, Henry Christopher, B.COM.; A.C.A., 1960; 1 Stanley Villas, Runcorn, Cheshire.
- Brand, Ronald Arthur Harry; A.C.A., 1960; 79 Frinton Road, East Ham, London, E6.
- Breakell, Robert Malcolm; A.C.A., 1960; Chiltern, Maltmans Lane, Gerrards Cross, Bucks.
- Brierley, Kenneth James; A.C.A., 1960; 244 St David's Road North, St Anne's on the Sea, Lancs.
- Brittain, Robert Alan; A.C.A., 1960; 22 Windsor Road, Halesowen, Birmingham.
- Brock, Colin Leslie; A.C.A., 1960; 1 Kingsway, Chandlers Ford, Eastleigh, Hants.
- Bromfield, Allan; A.C.A., 1960; 18 Orchard Road, Anlaby Park Road North, Hull, East Yorks.
- Brooks, Brian John; A.C.A., 1960; 'Hill View', Ash Terrace, Ashmore Green, near Newbury, Berks.
- Brooks, Roy Selwyn; A.C.A., 1960; Shortlands, Downside Road, Guildford, Surrey.
- Broucher, (Miss) Caryl; A.C.A., 1960; 31 Baron Road, Penarth, Glam.
- Brown, Alan Leslie; A.C.A., 1960; 119 Mawdon Road, Cambridge.
- Brown, Cyril Henry, B.A.; A.C.A., 1960; 22 Ruskin Drive, Worcester Park, Surrey.
- Brown, Malcolm Stewart; A.C.A., 1960; 12 Purlwell Hall Road, Mount Pleasant, Batley, Yorks.

- Fort, Reginald Brockway; A.C.A., 1960; 95 Holifast Road, Sutton Coldfield, Warwicks.
- Fox, William Albert; A.C.A., 1960; 369 Drayton High Road, Lower Hellesdon, Norwich, Norfolk, Nor. 10L.
- Freeman, David Derek; A.C.A., 1960; 156 Holmleigh Road, Stamford Hill, London, N16.
- Freeman, Seymour; A.C.A., 1960; 27 Manor House Drive, London, NW6.
- Frost, Stanley; A.C.A., 1960; 75 The Vale, London, NW11.
- Fry, Alec Walter; A.C.A., 1960; 18 Abbey Water, Romsey, Hants.
- Fry, John Gordon; A.C.A., 1960; 243 Dobcroft Road, Sheffield, 11.
- Fuller, Neil Michael; A.C.A., 1960; 7 Marion Close, Cambridge.
- Gardham, Patrick Roger; A.C.A., 1960; 22 Marine Avenue, North Ferriby, Yorks.
- Garner, James Malcolm; A.C.A., 1960; 34 Elmfield Avenue, Hornsey, London, N8.
- Garrett, David Richard; A.C.A., 1960; Meadowcroft, Horley, Surrey.
- Garvey, Richard Thomas; A.C.A., 1960; 30 Clarence Road, Sidcup, Kent.
- Gascoigne, Allan Anthony; A.C.A., 1960; 69 Broxtowe Lane, Aspley, Nottingham.
- Gascoigne, Graham; A.C.A., 1960; 793 Prince of Wales Road, Sheffield, 9.
- Gay, Michael John; A.C.A., 1960; Moor Farm, Portbury, near Bristol.
- Gee, Malcolm John; A.C.A., 1960; 69 Old Oak Road, London, W3.
- Geering, Christopher William Redman; A.C.A., 1960; White Hills, Brooke Road, Ashford, Kent.
- Geh, Cheng Hooi; A.C.A., 1960; 2 Grand Avenue, Surbiton, Surrey.
- George, William John; A.C.A., 1960; 53 Cannon's Close, Bishop's Stortford, Herts.
- Gerrard, Michael David; A.C.A., 1960; 83 Hanover Road, Willesden, London, NW10.
- Gibbons, John James; A.C.A., 1960; 35 Cecil Avenue, Warmsworth, near Doncaster, Yorks.
- Gilmore, Geoffrey Frederick; A.C.A., 1960; 12 Wolmer Gardens, Edgware, Middlesex.
- Glass, Malcolm Ian; A.C.A., 1960; 25 Cardigan Road, Richmond, Surrey.
- Glatte, Robert; A.C.A., 1960; with Henry Finck & Co, 62-64 Brook Street, London, W1.
- Glennie, Edward Lewis Hastings; A.C.A., 1960; 27 Lower Park, Minehead, Somerset.
- Glover, John Selwyn; A.C.A., 1960; 17 Cloister Way, Leamington Spa, Warwicks.
- Goddard, John Wolcott; A.C.A., 1960; Hepgreave House, Station Lane, Barton, near Preston.
- Gold, Leonard Morris; A.C.A., 1960; 16 Burbridge Grove, Southsea, Hants.
- Goldenfield, Bernard Norman; A.C.A., 1960; 31 Maple Street, Hightown, Manchester, 8.
- Golding, John Henry; A.C.A., 1960; 20 Hogback Wood Road, Beaconsfield, Bucks.
- Goldsmith David Colin; A.C.A. 1960; 2 Ranmore Road, Cheam, Surrey.
- Goldstein, Brian; A.C.A., 1960; 39 Athelstan House, Marsh Hill, London, E9.
- Gooch, Wilson Edwin; A.C.A., 1960; 134 Middleton Road, Gorleston-on-Sea, Gt. Yarmouth, Norfolk.
- Gordon, David Maxwell; A.C.A., 1960; 64 Elmhurst Road, Reading, Berks.
- Gordon, Henry Kenneth; A.C.A., 1960; 31 Chadworth House, Amwell Court, Green Lanes, London, N4.
- Gordon, Martin David; A.C.A., 1960; Appletree Cottage, River Road, Taplow, Bucks.
- Gradidge, John David Gifford; A.C.A., 1960; 32 Meadow Way, Rickmansworth, Herts.
- Granger, Peter; A.C.A., 1960; Spinney Corner, Aslockton, Notts.
- Gratland, Michael Richard; A.C.A., 1960; 13 Llewellyn Avenue, Neath, Glam.
- Gray, Basil Leslie; A.C.A., 1960; 11 Storm Street, Sheffield, 8.
- Green, Brian Rex, B.A.; A.C.A., 1960; 5 The Leys, Hampstead Garden Suburb, London, N2.
- Greenacre, Andrew John, B.A.; A.C.A., 1960; 27 Ossington Street, London, W2.
- Greenhalgh, Harold; A.C.A., 1960; 7 Osborne Grove, Rossall Beach, Cleveleys, near Blackpool.
- Grennall, John Henry; A.C.A., 1960; 2 Lapworth Street, Lowsonford, Solihull, Warwicks.
- Grey, Colin James; A.C.A., 1960; Fuidge Manor, Spreyton, near Crediton, Devon.
- Guest, Lawrence Kingsley; A.C.A., 1960; 40 Acacia Road, Hampton, Middlesex.
- Guest, Sydney Clifford; A.C.A., 1960; 151 Pooles Lane, Short Heath, Willenhall, Staffs.
- Gunnell, James Lidzey; A.C.A., 1960; 160A Deans Lane, Edgware, Middlesex.
- Gupta, Prem Bhushan; A.C.A., 1960; with C. J. Hayward & Co, 48 Market Place, Reading, Berks.
- Gupta, Samir Kumar; A.C.A., 1960; 7 Spencer Road, Chiswick, London, W4.
- Gyi, Michael Theodore; A.C.A., 1960; Flat 5, 16 Mays Hill Road, Shortlands, Kent.
- Haddon, Kenneth William; A.C.A., 1960; 1 Carlton Terrace, Great Cambridge Road, London, N18.
- Hailstone, Brian Colin; A.C.A., 1960; 242 Streetly Road, Erdington, Birmingham, 23.
- Hainsworth, Brian; A.C.A., 1960; Tree Tops, Clara Drive, Calverley, Pudsey, Yorks.
- Hall, Peter William; A.C.A., 1960; 275 Bingley Road, Shipley, Yorks.
- Hall, Stephen Hargreaves, B.A.; A.C.A., 1960; 10 Douro Place, London, W8.
- Hamburger, Cyril; A.C.A., 1960; 6 Marston Road, Salford, 7, Lancs.
- Hamilton, James Edward Hume; A.C.A., 1960; 17 Park Place, Clifton, Bristol, 8.
- Hampson, Michael; A.C.A., 1960; 163 Ribbleson Avenue, Preston.
- Hampson, Nicholas John; A.C.A., 1960; 19 Woodville Road, Bexhill-on-Sea, Sussex.
- Hancock, Malcolm Brian; A.C.A., 1960; 21 High Street, March, Cambs.
- Hardacre, Kenneth; A.C.A., 1960; 12 Broadfield Street, Heywood, Lancs.
- Hardman, John Philip; A.C.A., 1960; 149 Withins Lane, Bolton.
- Hardy, David John; A.C.A., 1960; 37 The Oval, Sidcup, Kent.
- Harman, James Gwilym; A.C.A., 1960; 32 Willis Avenue, Sutton, Surrey.
- Harper, John Stanley; A.C.A., 1960; Vicarage Lodge, Boyn Hill Avenue, Maidenhead, Berks.
- Harris, Edward Robin Dudley; A.C.A., 1960; 122 Woodside Avenue, Coventry.
- Harrison, Colin Gilbert; A.C.A., 1960; Callow Hill House, Callow Hill, Redditch, Worcs.
- Harrison, Philip Gordon, B.Sc.(ECON.); A.C.A., 1960; 'Barbridge', Red Lion Road, Burrow Hill, Chobham, Woking, Surrey.
- Harrop, Peter Edmund Morris; A.C.A., 1960; 28 Kensington Avenue, Old Colwyn, Denbighs, North Wales.
- Hart, David Hulme; A.C.A., 1960; 13 Park Drive, Heaton, Bradford, 9.
- Hart, Michael Evan; A.C.A., 1960; Blanding, Woodland Way, Broadstairs, Kent.
- Hartley, David; A.C.A., 1960; 2 Thornhill Gardens, Sunderland, Co. Durham.
- Hartley, Stuart Leslie; A.C.A., 1960; 43 Grosvenor Drive, Hornchurch, Essex.

- Hatfield, John; A.C.A., 1960; 13 Fourth Avenue, Goole.
- Hawkings, John Derek; A.C.A., 1960; 23 Quebec Road, Ilford, Essex.
- Hawley, Derek; A.C.A., 1960; 35 Parks Avenue, South Wingfield, Derby.
- Hay, James Brian; A.C.A., 1960; 'Elsdon', Colwell Road, Haywards Heath, Sussex.
- Hayes, John Edward, B.COM.; A.C.A., 1960; 108 Kenyon Lane, Kenyon, Warrington, Lancs.
- Heaney, Francis; A.C.A., 1960; 10 Burnside Road, Dagenham, Essex.
- Hearnden, Robert Maurice; A.C.A., 1960; Glenville, London Road, Ryarsh, Maidstone, Kent.
- Heath, Frederick John; A.C.A., 1960; 121 Meneage Street, Helston, Cornwall.
- Hector, William Gavin; A.C.A., 1960; c/o Imperial Bank of Canada, Granville & Dunsmuir, Vancouver, British Columbia, Canada.
- Hedley, William Wilson; A.C.A., 1960; 24 Cowslip Hill, Letchworth, Herts.
- Hendry, John Stuart; A.C.A., 1960; 12 Heath Villas, Halifax.
- Herman, Daniel, B.A.(COM.); A.C.A., 1960; 72 Brentbridge Road, Fallowfield, Manchester, 14.
- Hershman, Brian Sidney, B.A.; A.C.A., 1960; 5 Basing Hill, London, NW11.
- Heslop, David Sykes, M.A.; A.C.A., 1960; Southlands, Southend Avenue, Darlington.
- Hewitt, Kenneth Anthony; A.C.A., 1960; 41 Spennithorne Drive, West Park, Leeds, 16.
- Hibbert, Thomas Walsh; A.C.A., 1960; 74 Bispham Road, Blackpool.
- Hicks, Colin John, B.A.; A.C.A., 1960; 91 Westward Rise, Garden Suburb, Barry, Glam.
- Hill, Anthony Michael Henry; A.C.A., 1960; with Creasey, Son & Wickenden, 12 Lonsdale Gardens, Tunbridge Wells, Kent.
- Hill, James; A.C.A., 1960; Irchester Road, Rushden, Northants.
- Hill, Michael; A.C.A., 1960; 1 Netherton, Drighlington, near Bradford.
- Hindle, Michael Richard; A.C.A., 1960; 53 Okehampton Close, North Finchley, London, N12.
- Hindley, John Norman; A.C.A., 1960; 10 Methuen Avenue, Fulwood, Preston.
- Hirst, Anthony Charles; A.C.A., 1960; 27 Oak Road, Halton, Leeds, 15.
- Hodgkinson, (Miss) Patricia, LL.B.; A.C.A., 1960; 98, Beddington Gardens, Wallington, Surrey.
- Hogg, Brian Peter; A.C.A., 1960; Wingates, Hillside, Darras Hall, Ponteland, Newcastle upon Tyne.
- Hoggett, Alan; A.C.A., 1960; 73 Scruton Avenue, Humbleton, Sunderland.
- Holden, Leslie Walter; A.C.A., 1960; 76 Weighton Road, Harrow Weald, Middlesex.
- Holdstock, Timothy; A.C.A., 1960; 21 Draycot Road, Wanstead, London, E11.
- Holland, Peter Brian; A.C.A., 1960; 29 The Lindens, Friern Park, North Finchley, London, N12.
- Hollidge, Brian William; A.C.A., 1960; with Cooper Brothers & Co, P.O. Box 273, Legal and General Buildings, Coronation Square, Kitwe, Northern Rhodesia.
- Hollingworth, Michael John; A.C.A., 1960; 300 Birchfield Road East, Northampton.
- Holloway, John Anthony Denham; A.C.A., 1960; 9 Church Road, Worcester Park, Surrey.
- Homer, Barry John; A.C.A., 1960; 62 Yateley Avenue, Great Barr, Birmingham, 22A.
- Honeyfield, Richard John; A.C.A., 1960; Parnova, Woodlands Road, Woodlands, Southampton.
- Hopkinson, Arthur Morton, M.A.; A.C.A., 1960; 51 Newsham Drive, Liverpool, 6.
- Horsman, Alan Buckley Llewellyn; A.C.A., 1960; 53 Delamere Road, Hall Green, Birmingham, 28.
- Horton, Peter; A.C.A., 1960; 5 Higher Constable Lee, Rawtenstall, Lancs.
- Hoskyns, George Humphrey; A.C.A., 1960; Manor Farm, North Perrott, Crewkerne, Somerset.
- Howard, Keith; A.C.A., 1960; 167 Preston New Road, Blackburn, Lancs.
- Howard, Stanley Lawrence; A.C.A., 1960; 29 Beaver Road, Didsbury, Manchester, 20.
- Howell, Anthony Edward; A.C.A., 1960; 49 Keevil Drive, Wimbledon, Park London, SW19.
- Howes, Michael Dennis; A.C.A., 1960; Seven Apples, Fish Lane, Aldwick, Bognor Regis, Sussex.
- Howgate, Rodney Denton; A.C.A., 1960; Autumn, West Lane, Loxley, near Sheffield.
- Hudson, Colin Quinton; A.C.A., 1960; 3 Highbank Avenue, Widley, Portsmouth, Hants.
- Hughes, Howard; A.C.A., 1960; 18 Boundary Road, West Kirby, Cheshire.
- Hughes, John Allen; A.C.A., 1960; 357 Birmingham Road, Bordesley, Redditch, Worcs.
- Hughes, Ronald; A.C.A., 1960; 34 Battenberg Road, Bolton.
- Hunt, Nicolas, John Farrant; A.C.A., 1960; 14 Woodcote Park Road, Epsom, Surrey.
- Hunter, George Hedley; A.C.A., 1960; 80 Jackson Avenue, Mickleover, Derby.
- Hunziker, Roger Francis; A.C.A., 1960; 60 Great North Road, Highgate, London, N6.
- Hurst, Christopher Derek George; A.C.A., 1960; 34 Upper Belgrave Road, Clifton, Bristol, 8.
- Hurst, John Stanley; A.C.A., 1960; 67 Blenheim Road, Caversham, Reading.
- Ingleton, Malcolm; A.C.A., 1960; 40 Kings Drive, Wrose, Bradford.
- Inskip, John Geoffrey; A.C.A., 1960; Gable Cottage, Goldington Green, Bedford.
- Irwin, George; A.C.A., 1960; Mill Cottage, Riding Mill, Northumberland.
- Isaac, James Victor Stanford; A.C.A., 1960; 96 St Joseph's Drive, Southall, Middlesex.
- Jack, David Barry; A.C.A., 1960; 13 Marston Road, Stafford.
- Jackson, Geoffrey Sear; A.C.A., 1960; 49 Lakeside Drive, Bromley, Kent.
- Jackson, John George; A.C.A., 1960; 555 New South Promenade, Blackpool, S.S.
- Jacobs, Gerald Martin, LL.B.; A.C.A., 1960; 99 Percy Road, Hampton, Middlesex.
- Jameson, Alexander Raymond; A.C.A., 1960; 17 The Leaway, Portchester, near Fareham, Hants.
- Janes, Richard; A.C.A., 1960; Sunrise, Lakewood Road, Chandlers Ford, Hants.
- Jaye, Brian; A.C.A., 1960; 32 Barrington Court, Muswell Hill, London, N10.
- Jefferies, Anthony Roger; A.C.A., 1960; Linnets, Moortown, Curry Rivel, Langport, Somerset.
- Jenkins, David Howard; A.C.A., 1960; 23 Harbord Road, Oxford.
- Jenkins, Peter William Sidney Kenwood; A.C.A., 1960; 32 Lon Penycoed, Sketty, Swansea.
- Jones, Allan Leslie David; A.C.A., 1960; 23 Vrynllawen, Kenfig Hill, Bridgend, Glam.
- Jones, Colin Irving; A.C.A., 1960; 259 Coastworth Road, Gateshead, Co. Durham.
- Jones, Derrek Layton; A.C.A., 1960; 52 Belle Vue Road, West Cross, Swansea.
- Jones, Howard Neville, B.A.(ECON.); A.C.A., 1960; Foxfield, Rudry Road, Lisvane, near Cardiff.
- Jones, Peter Stuart; A.C.A., 1960; 2 Elsie Road, Anfield, Liverpool, 4.
- Jones, Philip Charles, B.A.; A.C.A., 1960; 76 Wood End, Avenue, South Harrow, Middlesex.
- Jordan, David Albert; A.C.A., 1960; 48 Victoria Street, Melbourne, near Derby.
- Jordan, (Miss) Jean Morton, B.A.; A.C.A., 1960; 77 Orchard Drive, Woking, Surrey.
- Joslin, Denis Charles, B.SC.(ECON.); A.C.A., 1960; 55 Goldhurst Terrace, London, NW6.

- Kay, Michael Anthony Samuel; A.C.A., 1960; 'Green-gables', Broomhill Crescent, Leeds, 17.
- Keen, Eric Kenneth; A.C.A., 1960; 20 Manor Road, Weston-super-Mare, Somerset.
- Keen, John Edward; A.C.A., 1960; 21 Dane John, Canterbury, Kent.
- Keens, Peter Philip; A.C.A., 1960; Kimpton Grange, Kimpton, near Hitchin, Herts.
- Kelham, Malcolm Roger; A.C.A., 1960; 49 Edgehill Road, Gipsy, Lane, Leicester.
- Kelly, Leonard Robert; A.C.A., 1960; 17 Crowborough Drive, Warringham, Surrey.
- Kendry, Lyndhurst; A.C.A., 1960; 32 Briarfield Road, Heaton Chapel, Stockport, Cheshire.
- Kennington, Ivor Gordon, B.A.; A.C.A., 1960; Woodcroft, Skidby, Cottingham, East Yorks.
- Kershner, Harold, B.A.; A.C.A., 1960; 5 Jesmond Avenue, Prestwich, Manchester.
- Kidney, John Ernest Henry; A.C.A., 1960; 3 Royston Avenue, Sutton, Surrey.
- Kind, Terrence, Bernard; A.C.A., 1960; 91 Grange Drive, Glenhills, near Leicester.
- King, (Miss) Patricia Anne; A.C.A., 1960; 38 St John's Avenue, Kidderminster, Worcs.
- Kirkland, Graeme George; A.C.A., 1960; 5 Ennerdale Avenue, Stanmore, Middlesex.
- Kirkwood, John; A.C.A., 1960; 'Braefoot', Fox Street, Ardleigh, near Colchester, Essex.
- Kirstein, Ivor Malcolm; A.C.A., 1960; 23 Marina Court, Alfred Street, Bow, London, E3.
- Knight, Derek Graham Blundell; A.C.A., 1960; Spotted Cow Cottage, Hurstpierpoint, Sussex.
- Knight, Ronald George Thomas; A.C.A., 1960; 5 Windsor Place, Mangotsfield, Bristol.
- ¶Knott, Paul Sidney Gareth; A.C.A., 1960; (Robinson Knott & Co), 57 Boundary Road, Hove, Sussex.
- Knowles, Timothy; A.C.A., 1960; 25 Druslyn Road, West Cross, Mumbles, Swansea, Glam.
- Kon, Stanley; A.C.A., 1960; 34 Tenterden Gardens, Hendon, London, NW4.
- Kon, Yuen Kong; A.C.A., 1960; 45 Westbourne Court, Orsett Terrace, London, W2.
- Ladeinde, Adewuyi Adenekan, B.COM.; A.C.A., 1960; c/o Western Region Marketing Board, Stones Road, (Private Mail Bag 5032), Ibadan, Nigeria.
- Laidler, John; A.C.A., 1960; 20 Mornington Avenue, Newcastle upon Tyne, 3.
- Landau, Martin Richard; A.C.A., 1960; 47 Hermitage Lane, Hampstead, London, NW2.
- Lander, Brian Dennis; A.C.A., 1960; Hay Tor, Coombe Lane, Croydon, Surrey.
- Landsbert, Terence Carl; A.C.A., 1960; 79 Waterfall Road, New Southgate, London, N11.
- Lavin, John Brendan; A.C.A., 1960; 32 Holme Avenue, Wigan, Lancs.
- Leach, Peter Godfrey, B.A.; A.C.A., 1960; 228 Moore Avenue, Bradford, 7.
- Leader, John Albert; A.C.A., 1960; 22 Tyndall Avenue, Tyndall's Park, Bristol, 2.
- Ledger, Charles Stanley; A.C.A., 1960; 69 Altrincham Road, Gatley, Cheadle, Cheshire.
- Leece, Terence David; A.C.A., 1960; 11 Church Road, Roby, near Liverpool.
- Leech, John Clive Boulton; A.C.A., 1960; Wootton Grange, Berkswell, Warwicks.
- Legge, Ingram Alistair Thomson; A.C.A., 1960; with Roberts, Legge & Co, 3 Rumford Place, Liverpool, 3.
- Leman, (Miss) Mary Susan; A.C.A., 1960; with Clayton & Brewill, 15 Wellington Circus, Nottingham.
- Lemmon, Kenneth Stephen; A.C.A., 1960; 19 Vesper Rise, Leeds, 5.
- Leonard, Gordon Lawrence; A.C.A., 1960; 3 Church Hill, Caterham, Surrey.
- Levy, Allen Lawrence; A.C.A., 1960; 149 Clayhall Avenue, Ilford, Essex.
- Lewis, Arthur Raymond; A.C.A., 1960; 58 Basingfield Road, Thames Ditton, Surrey.
- Lewis, David; A.C.A., 1960; 48 Craigwell Road, Prestwich, Manchester.
- Lewis, Walter Alan; A.C.A., 1960; 'Chardons', Queens Road, Old Colwyn, Denbighshire.
- Lightfoot, Gordon; A.C.A., 1960; 53 Norris Street, Warrington, Lancs.
- Lindop, Anthony Charles; A.C.A., 1960; 59 St Johns Hill, Shenstone, Lichfield, Staffs.
- Line, Leslie Albert; A.C.A., 1960; 37 Trederwen Road, Hackney, London, E8.
- Line, Reginald George; A.C.A., 1960; 37 Trederwen Road, Hackney, London, E8.
- Little, Charles Andrew; A.C.A., 1960; 8 The Avenue, Hipperholme, near Halifax.
- Llewellyn, David Arthur; A.C.A., 1960; 69 Warwick Gardens, London, W14.
- Locke, (Miss) Eileen Sylvia; A.C.A., 1960; 54 Sylvan Road, Exeter, Devon.
- Long, John Malcolm; A.C.A., 1960; 10 Ladythorne Avenue, Prestwich, Manchester.
- Long, Philip Lawrence, B.A.; A.C.A., 1960; 248 Nine Mile Ride, Wokingham, Berks.
- Long, Richard Frederick; A.C.A., 1960; 110 Yarmouth Road, Lowestoft, Suffolk.
- Longcroft, Peter Martin Stoddart; A.C.A., 1960; with Longcroft, Smith & Co, Capel House, New Broad Street, London, EC2.
- Loud, David Charles; A.C.A., 1960; 4 Howden Road, South Norwood, London, SE25.
- Lovatt, Warwick Godfrey; A.C.A., 1960; Osborne House, Shenstone Court Drive, Shenstone, near Lichfield, Staffs.
- Lovell, Trevor Roy; A.C.A., 1960; 46 Bankside Lane, Bacup, Lancs.
- Luckhurst, Stanley Thomas; A.C.A., 1960; 1 Echo Square, Gravesend, Kent.
- Ludley, David; A.C.A., 1960; 43 Garnet Street, Middlesbrough, Yorks.
- Lund, Bryan; A.C.A., 1960; with Cassleton Elliott & Co, P.O. Box 163, Enugu, Eastern Region, Nigeria.
- Luscombe, William George; A.C.A., 1960; 241 Mitcham Road, Tooting, London, SW17.
- Machin, Ronald Thomas; A.C.A., 1960; 32 Redvers Drive, Orrell Park, Liverpool, 9.
- McKinlay, Robert Douglas; A.C.A., 1960; 10 Croome Drive, West Kirby, Cheshire.
- McNulty, Geoffrey Peter; A.C.A., 1960; 10 Meredale Road, Mossley Hill, Liverpool, 18.
- MacRae, Alasdair Hector MacLean; A.C.A., 1960; 47 Salvage Lane, Mill Hill, London, NW7.
- Madon, Shavak Russy; A.C.A., 1960; with Gordon Thomas & Pickard, 2 Church Street, Cardiff.
- Major, Philip Jeffery; A.C.A., 1960; Moreton, Crossway Green, Chepstow, Mon.
- Mallery, Alan Arthur; A.C.A., 1960; 57 Genesta Road, Plumstead, London, SE18.
- Mama, Noshir Zubin; A.C.A., 1960; 4 Princess Street, Sunderland.
- Manning, Denis Bertie; A.C.A., 1960; 57 Broomefield, Stanmore, Middlesex.
- Manterfield, Roger David; A.C.A., 1960; 1 Pingle Road, Sheffield, 7.
- Maple, Frederick James; A.C.A., 1960; 27 Malwood Road, London, SW12.
- Margolis, Gerald Eleazer, M.A.; A.C.A., 1960; 27 Leith Mansions, Maida Vale, London, W9.
- Marley, William Keith; A.C.A., 1960; 64 Windermere Road, Stockton-on-Tees, Co. Durham.
- Marriott, Simon Granville; A.C.A., 1960; 89 Folds Lane, Sheffield, 8.
- Marsden, Brian Anthony; A.C.A., 1960; 16 Newlands Grove, Northowram, Halifax.

- Marsden, Kenneth Arnold; A.C.A., 1960; with McEwan, Wallace, Howell & Co, 68 Argyle Street, Birkenhead, Cheshire.
- Martin, James Wallace, B.COM.; A.C.A., 1960; 1 Rusland Avenue, Barrow-in-Furness, Lancs.
- Martin, John Spencer; A.C.A., 1960; The Barn, Timsway, Chertsey Lane, Staines, Middlesex.
- Martin, Norman Thomas David; A.C.A., 1960; 36 Whitley Crescent, Wigan, Lancs.
- Mason, Christopher Rhea; A.C.A., 1960; 1 Park View, Truro, Cornwall.
- Mason, John Duncan McConall; A.C.A., 1960; 29 Church Way, Whetstone, London, N20.
- Massey, John Michael; A.C.A., 1960; 107 St Andrews Avenue, Elm Park, Hornchurch, Essex.
- Masters, Norris David; A.C.A., 1960; Westward Hol Hotel, Westcliff Parade, Westcliff-on-Sea, Essex.
- Maudsley, Harold William; A.C.A., 1960; 73 Woodgrove Road, Burnley, Lancs.
- Maughan, Colin; A.C.A., 1960; 2 Walter Street, Idle, Bradford.
- May, Kenneth Stanley; A.C.A., 1960; 40 Croft Road, Fairfield Park, Bath, Somerset.
- Maycock, Frederick; A.C.A., 1960; T.8, Peabody Estate, Hammersmith, London, W6.
- Mayhew, Peter; A.C.A., 1960; c/o Mrs Cardwell, Hafod Y Bryn 'A', Llanbedr, Merioneth.
- Mayhew, Thomas Oswald; A.C.A., 1960; 28 Bolton Avenue, Windsor, Berks.
- Mayho, Peter; A.C.A., 1960; 20 Molesey Close, Hersham, Surrey.
- Mendes, Benjamin, B.SC.(ECON.); A.C.A., 1960; 68 Friern Mount Drive, London, N20.
- Mercer, Peter James; A.C.A., 1960; Heath Farm House, East Malling, Kent.
- Merchant, Ebrahim Alimahomed; A.C.A., 1960; 1 Glenilla Road, London, NW3.
- Merricks, Graham Wyatt; A.C.A., 1960; 21 Moreton Road, South Croydon, Surrey.
- Merriman, Anthony Malcolm, B.A.; A.C.A., 1960; 92 Hogarth Gardens, Heston, Hounslow, Middlesex.
- Merry, John Eric; A.C.A., 1960; Joyscroft, Pool Road, Chasetown, near Walsall, Staffs.
- Michaels, Alan Paul; A.C.A., 1960; 14 Purcells Avenue, Edgware, Middlesex.
- Middleton, Anthony; A.C.A., 1960; 100 Station Road, Mow Cop, Stoke-on-Trent.
- Migdale, Philip Roger; A.C.A., 1960; 35 Abersham Road, Hackney, London, E8.
- Miles, Anthony Llewellyn; A.C.A., 1960; 20 Medfield, Street, Roehampton, London, SW15.
- Millar, Ronald Norman; A.C.A., 1960; 11 Windlesham Road, Salisbury, Wilts.
- Millard, Bernard Albert; A.C.A., 1960; 114 Killearn Road, Carford, London, SE6.
- Miller, Alan; A.C.A., 1960; 36 Myrella Crescent, Sunderland, Co. Durham.
- Miller, Anthony David; A.C.A., 1960; 108 Barrington Road, Goring-by-Sea, Sussex.
- Miller, Clive; A.C.A., 1960; 12 Bexley Street, Sunderland, Co. Durham.
- Miller, David Fenton; A.C.A., 1960; 50 Torton Hill Road, Arundel, Sussex.
- Miller, Robert James; A.C.A., 1960; 40 Sneinton Dale, Nottingham.
- Millership, Ronald Frederick; A.S.A.A., 1960; London House, Guilford Street, London, WC1.
- Mills, Ronald Kingsley; A.C.A., 1960; 21 Victoria Road, Acocks Green, Birmingham, 27.
- Minter, Michael Alan; A.C.A., 1960; 27 Crabbe Street, Ipswich.
- Mitchell, David Bruce; A.C.A., 1960; 111 Hanging Hill Lane, Hutton, Brentwood, Essex.
- Mitchell, John Wemyss Houston; A.C.A., 1960; 8 Caedelyn Road, Whitchurch, Cardiff.
- Moffat, Frederick James; A.C.A., 1960; 268 Moseley Road, Levenshulme, Manchester, 19.
- Monaghan, Brian Charles, B.COM.; A.C.A., 1960; 6 Esplen Avenue, Great Crosby, Liverpool, 23.
- Moore, Colin Matthew; A.C.A., 1960; 4 Montpellier Street, Harrogate, Yorks.
- Moore, Geoffrey Watson; A.C.A., 1960; 28 Westella Way, Kirkella, near Hull.
- Morfe, Graham Surridge; A.C.A., 1960; 12 Lyndhurst Road, Hampstead, London, NW3.
- Morgan, Brian Anthony; A.C.A., 1960; 3 Belvoir Road, Netherfield, Nottingham.
- Morgan, Charles Edward John; A.C.A., 1960; Beech Lane, Goytre, Pontypool, Mon.
- Morgan, Cyril Herbert; A.C.A., 1960; 25 East Street, Pontypridd, Glam.
- Morgan, David; A.C.A., 1960; Pentre Perfa, Maesbrook, Llanymynech, Mont.
- Morgan, David Llewellyn; A.C.A., 1960; with Cassleton Elliott & Co, P.O. Box 242, Accra, Ghana.
- Morgan, John Howell; A.C.A., 1960; 40 Clare Street, Manselton, Swansea, Glam.
- Morley, James William; A.C.A., 1960; 'Hazelwood', Fisher Lane, Bingham, Notts.
- Morris, Ernest Stephen; A.C.A., 1960; Rose Cottage, Pontneathvaughan, near Neath, Glam.
- Mullan, Jal Bomanji, B.SC.(ECON.); A.C.A., 1960; 6 Chatsworth Gardens, Acton, London, W3.
- Mundy, Nigel Rodney; A.C.A., 1960; 39 The Glen, Green Lane, Northwood, Middlesex.
- Murad, Ebrahim Hashim; A.C.A., 1960; 4 Maher Mansion, Khusaldas Street, off McLeod Road, Karachi, Pakistan.
- Murgatroyd, Philip John; A.C.A., 1960; 134 Matlock Crescent, North Cheam, Sutton, Surrey.
- Murphy, James; A.C.A., 1960; 7 Fitzwarren Gardens, London, N19.
- Myers, Anthony Charles Arthur; A.C.A., 1960; Summerhill, Newick, Sussex.
- Myers, Justin John; A.C.A., 1960; 6 Shirley Drive, Hove, Sussex.
- Myers, Kenneth; A.C.A., 1960; 6 Ridley Street, Bensham, Gateshead, 8, Durham.
- Nash, Anthony Roy; A.C.A., 1960; 109 The Drive, Rickmansworth, Herts.
- Nathan, Brian Hugh; A.C.A., 1960; 584 Watford Way, Mill Hill, London, NW7.
- Naylor, Anthony Richard; A.C.A., 1960; 9 Waverley Lane, Farnham, Surrey.
- Neal, Trevor James; A.C.A., 1960; 81 Currian Road, Nanpean Street, St Austell, Cornwall.
- Newell, Alan; A.C.A., 1960; 5 West Ridge, New Road, Bourne End, Bucks.
- Newman, Andrew Gwyn; A.C.A., 1960; 3 Ty-glas Avenue, Llanishen, Cardiff.
- Nicholson, Norman Fletcher; A.C.A., 1960; Tramore, Jordans, near Beaconsfield, Bucks.
- Nixon, Vivian Alan; A.C.A., 1960; 90 Woodmansterne Road, Streatham Vale, London, SW16.
- Norbury, Robert Leslie; A.C.A., 1960; Grey Gables, Warwick Drive, Hale, Altrincham, Cheshire.
- Norman, Kerrie; A.C.A., 1960; 38 Clarendon Road, Edgbaston, Birmingham, 16.
- Norton, David John, M.A.; A.C.A., 1960; 38 Hornton Street, London, W8.
- Nursaw, Robert Graham; A.C.A., 1960; 3 Warren Pond Road, Forest Side, Chingford, London, E4.
- Nuttall, Alan Leslie; A.C.A., 1960; 9 Broomsgrove, Aintree, Liverpool, 10.
- Oddy, George Malcolm; A.C.A., 1960; 8 Buck Stone Crescent, Alwoodley, Leeds, 17.
- O'Grady, Ralph James; A.C.A., 1960; 1A Whinbrook Gardens, Leeds, 17.
- Oldam, Barrie Alexander; A.C.A., 1960; 328 Low Lane, Horsforth, near Leeds.
- Oliver, John David Bagnall; A.C.A., 1960; 73 Bushmead Avenue, Bedford.

- Orchard, John Ross, B.A.; A.C.A., 1960; Cow Lane, Fulbourn, Cambs.
- O'Regan, Maurice David Brian; A.C.A., 1960; 7 Wildwood Road, Hampstead Heath, London, NW11.
- O'Sullivan, Niall John; A.C.A., 1960; 151 Balgores Lane, Gidea Park, Romford, Essex.
- Owen, Brian Thomas; A.C.A., 1960; 61 Peel Road, North Wembley, Middlesex.
- Owen, Lawrence Lott; A.C.A., 1960; 22 Chapel Street, Mumbles, Swansea, Glam.
- Owram, Derek; A.C.A., 1960; 6 Langdale Avenue, Headingley, Leeds, 6.
- Paine, Geoffrey Alan; A.C.A., 1960; 2 South Parade, Summertown, Oxford.
- Pandya, Balram Bhagwanji, B.A.(COM.); A.C.A., 1960; 378 Upper Brook Street, Manchester, 13.
- Paris, Antony Edward; A.C.A., 1960; 293 Green Lane, New Eltham, London, SE9.
- Park, Douglas; A.C.A., 1960; 136 Malvern Road, Billingham-on-Tees, Co. Durham.
- Parker, Christopher James; A.C.A., 1960; 88 Baldock Road, Letchworth, Herts.
- Parker, James Hargreaves; A.C.A., 1960; 60 Halse Road, Brackley, Northants.
- Parkin, Richard Graham, B.A.(ECON.); A.C.A., 1960; 8 Crimicar Drive, Fulwood, Sheffield, 10.
- Parkinson, Cecil Edward, B.A.; A.C.A., 1960; Blacksmith Cottage, River Hill, Flamstead, near St Albans, Herts.
- Parkinson, John Phillips; A.C.A., 1960; 15 Oakwood Avenue, Gatley, Cheshire.
- Parrish, Brian Walter; A.C.A., 1960; 527 Rooley Lane, Bradford, 4.
- Parry, Adrian Baskerville; A.C.A., 1960; Culmore, Holbrook, Ipswich.
- Pateman, Alan David; A.C.A., 1960; 151 Old Highway, Hoddesdon, Herts.
- Pecker, Morley Leo; A.C.A., 1960; 221 Goldhurst Terrace, Hampstead, London, NW6.
- Peek, Richard Alan, B.COM.; A.C.A., 1960; 32 Coleshill Road, Ward End, Birmingham, 34.
- Peel, John Michael, B.SC.(ECON.); A.C.A., 1960; 10 Abercrombie Road, Fleetwood, Lancs.
- Peirson, Nigel Kenneth; A.C.A., 1960; 21 Davenport Road, Coventry.
- Pellant, Roger Alfred; A.C.A., 1960; 41 Lingwell Road, Upper Tooting, London, SW17.
- Pelling, John; A.C.A., 1960; 146 Langley Way, West Wickham, Kent.
- Penkin, Raymond; A.S.A.A., 1960; with A. Rosenburg, Schoolman & Gordon, 4th Floor, Commerce House, 57 Shortmarket Street, Cape Town, South Africa.
- Penrose, John Barton; A.C.A., 1960; 40 Highland Road, Amersham, Bucks.
- Percy, Barrynger Earl; A.C.A., 1960; 96 Boston Gardens, Brentford, Middlesex.
- Pescud, Trevor; A.C.A., 1960; 1 Cranfield Court, Bexhill-on-Sea, Sussex.
- Peterson, Michael Narramore; A.C.A., 1960; 37 Glenavon Road, Prenton, Birkenhead, Cheshire.
- Pethen, David Keith; A.C.A., 1960; 20 Somerset Road, Southsea, Hants.
- Peverley, Brian; A.C.A., 1960; 396 Hylton Road, Ford Estate, Sunderland.
- Phillips, David Pugh; A.C.A., 1960; 30 Stradey Park Avenue, Llanelly, Carmarthen.
- Phillips, Robert Leighton; A.C.A., 1960; 29 Quay Street, Carmarthen.
- Pilgrim, Lawrence William, D.F.C.; A.C.A., 1960; 17 Grandstand Road, Hereford.
- Pocock, David Bryan; A.C.A., 1960; 51 Kingsend, Ruislip, Middlesex.
- Pollock, Robert Leslie; A.C.A., 1960; 24 Bodnant Avenue, Leicester.
- Poncia, Edmund Anthony; A.C.A., 1960; 806 Warwick Road, Solihull, Warwicks.
- §Pond, Anthony William George; A.S.A.A., 1960; 'Lyme-Cot', 177 Preston Road, Yeovil, Somerset.
- Poulton, Geoffrey Frederick; A.C.A., 1960; 25 Kipling Avenue, Bath, Somerset.
- Powell, John Joseph; A.C.A., 1960; Longacre, The Slad, Stroud, Glos.
- Powell, Maxwell John; A.C.A., 1960; Pentrock, Abberley Drive, Droitwich, Worcs.
- Praem, Erik; A.C.A., 1960; 9 Rosslyn Road, Twickenham, Middlesex.
- Pratt, John Abbott; A.C.A., 1960; 14 Drayton Court, Kingston Road, Tolworth, Surrey.
- Pressey, David George; A.C.A., 1960; 24 St James Road, Purley, Surrey.
- Price, Iwan Gruffydd; A.C.A., 1960; 2 Diana Road, Llandeilo, Carmarthen.
- Prime, Brian Salisbury, B.SC.(ECON.); A.C.A., 1960; Westwood, Lichfield Road, Northwood, Middlesex.
- Pringle, Graham; A.C.A., 1960; 5 Langham Gardens, Grange Park, London, N21.
- Prior, Alan John; A.C.A., 1960; Flat 1, 3 St George's Terrace, Herne Bay, Kent.
- Pritchett, Geoffrey Arthur; A.C.A., 1960; 27 Clarence Gardens, Four Oaks, Sutton Coldfield, Warwicks.
- Proffitt, Peter Raymond; A.C.A., 1960; 210 Foden Road, Great Barr, Birmingham, 22A.
- Proudfoot, Brian; A.C.A., 1960; 14 Derby Road, Huyton, near Liverpool.
- Pryor, Richard Barclay, B.A.; A.C.A., 1960; 49 Onslow Gardens, London, SW7.
- Pugh, Dilwyn James; A.C.A., 1960; 11 Treharne Terrace, Edwardsville, Treharris, Glam.
- Pyne, (Miss) Adrienne Mary; A.C.A., 1960; Arjule, Old Rydon Lane, Countess Wear, Exeter.
- Pyne, Anthony Desmond; A.C.A., 1960; 21 Oak Tree Road, Tilehurst, Reading, Berks.
- Quemby, Colin John; A.C.A., 1960; 162 Hamilton Avenue, North Cheam, Sutton, Surrey.
- Quick, Edwin David; A.C.A., 1960; Lower Town, Wootton Courtenay, near Minehead, Somerset.
- Rabstaff, Leon David; A.C.A., 1960; 69 Lewis Flats, Dalston Lane, Hackney, London, E8.
- Ramshaw, Jack; A.C.A., 1960; 21 Canada Crescent, Rawdon, near Leeds.
- Randall-Wood, Douglas William; A.C.A., 1960; 380 Bancroft Road, Mile End, London, E1.
- Rathmell, John Anthony; A.C.A., 1960; 13 Hookfield, Epsom, Surrey.
- Ray, Derek Frank; A.C.A., 1960; 61 Bent Lanes, Davyhulme, Manchester.
- Reardon, Peter John; A.C.A., 1960; 239 Nechells Park Road, Nechells, Birmingham, 7.
- Redding, Donald Thomas; A.C.A., 1960; 'The Glen', Coedkernew, near Newport, Mon.
- Reddish, Graham John; A.C.A., 1960; 1 Woodland Way, Woodford Green, Essex.
- Redfern, Alan; A.C.A., 1960; 4 Commercial Street, Hyde, Cheshire.
- Reed, (Miss) Pamela Margaret; A.C.A., 1960; 54 The Green, Whitburn, near Sunderland.
- Rees, Stephen Patrick; A.C.A., 1960; Hurst House, Laugharne, Carmarthen.
- Reeves, Austin Sirrell, B.SC.(ECON.); A.C.A., 1960; c/o The United Africa Co of Ghana Ltd, Chief Accountant's Department, P.O. Box 746, Accra, Ghana.
- Reeves, Kenneth Leslie; A.C.A., 1960; 134 Mere Road, Wigston, Leics.
- Rich, Anthony George Ledger; A.C.A., 1960; 51 Croyham Park Avenue, South Croydon, Surrey.
- Richardson, Michael John; A.C.A., 1960; 8 The Crescent, Madeira Drive, Hastings, Sussex.
- Riddoch, Bernard Haddow; A.C.A., 1960; 212 Banstead Road, Banstead, Surrey.
- Ridges, Martin John, B.A.(COM.); A.C.A., 1960; 4 Egerton Park, Rock Ferry, Cheshire.

- Riley, Kenneth John; A.C.A., 1960; 65 Grasmere Street, Leicester.
- Riley, Robert Edward; A.C.A., 1960; Willow Gate, Rochdale Road, Halifax.
- Robertson, Roderick Ross; A.C.A., 1960; 4 Windsor Terrace, Loughborough Road, Leicester.
- Robinson, John Michael; A.C.A., 1960; Glebe Farm, Collingtree, Northampton.
- Robinson, Michael Francis; A.C.A., 1960; 41 Parkhill Road, Hampstead, London, NW3.
- Roe, Peter Howard; A.C.A., 1960; Clinton, Druidstone Road, St Mellons, near Cardiff.
- Rogove, Albert Ivor; A.C.A., 1960; 144 Landseer Avenue, Manor Park, London, E12.
- Rolfe, Bernard Reginald; A.C.A., 1960; 172 Links Way, Croxley Green, Rickmansworth, Herts.
- Rosling, Edward John; A.C.A., 1960; 35 Beech Avenue, Upminster, Essex.
- Ross, John Malcolm Thomas, B.A.; A.C.A., 1960; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
- Rossi, David Martin; A.C.A., 1960; Craster House, Heigham Grove, Norwich.
- Rowland, Reginald Charles Frederick; A.C.A., 1960; 40 Rudston Road, Liverpool, 16.
- Rowley, Blaise Dudley; A.C.A., 1960; 74 Washway Road, Sale, Cheshire.
- Rowley, David John Deans; A.C.A., 1960; 28 Acton Lane, Moreton, Wirral, Cheshire.
- Roy, Hitendra Nath; A.C.A., 1960; 73 Arnold Road, Woking, Surrey.
- Ruff, Brian Chisholm; A.C.A., 1960; 7 Chrislaine Close, Stanwell, Staines, Middlesex.
- Ryan, Daniel; A.C.A., 1960; 65 Pickhurst Rise, West Wickham, Kent.
- Saint, Oliver Jackson; A.C.A., 1960; 67 Warwick Road, Carlisle, Cumberland.
- Salmon, Rupert Edward Fitzjohn; A.C.A., 1960; The Malm, Harefield Road, Rickmansworth, Herts.
- Saltmarsh, Richard Malcolm; A.C.A., 1960; 34 Woodstock Road North, St Albans, Herts.
- Samaraweera, Don Edwin Arnold Senaratna; A.C.A., 1960; 171 Earham Grove, Forest Gate, London, E7.
- Sanders, John Michael; A.C.A., 1960; 97 Munster Gardens, Palmer's Green, London, N13.
- §Sarkari, Noshir Phiroz Dhanjibhoj; A.S.A.A., 1960; Harrington Court, 49 Harrington Gardens, London, SW7.
- Sassoon, Ronald Joseph; A.C.A., 1960; 43 Lordship Park, London, N16.
- Saunders, Ivan Derek, B.Sc.(ECON.); A.C.A., 1960; 16 Turnoak Avenue, Woking, Surrey.
- Saunders, Stanley Leo; A.C.A., 1960; 44 Apsley House, Finchley Road, London, NW8.
- Scarlett, John Anthony; A.C.A., 1960; 82 Westbrook Avenue, Margate, Kent.
- Schofield, Geoffrey Harold; A.C.A., 1960; 333 Shawclough Road, Rochdale, Lancs.
- Schofield, John Thomas; A.C.A., 1960; 136 Durham Road, Spennymoor, Co. Durham.
- Scruton, Leonard Edward; A.C.A., 1960; 114 Regal Way, Kenton, Harrow, Middlesex.
- Scurlock, James Walter Gwynne; A.C.A., 1960; 50 Ty-Fry Road, Rumney, Cardiff.
- Secker, Anthony Ian; A.C.A., 1960; 19 Gads Green Crescent, Dudley, Worcs.
- Seddon, Peter Henry; A.C.A., 1960; Cleeve House, Norley Road, Sandiway, near Northwich, Cheshire.
- Seekings, John Charles; A.C.A., 1960; 7 Highfield Road, Five Lane Ends, Bradford, 2.
- Selwyn, Jeffrey Michael; A.C.A., 1960; 25 Vivian Way, East Finchley, London, N2.
- Shakespeare, Edward Alan; A.C.A., 1960; Kewstoke, Station Road, Polesworth, Tamworth, Staffs.
- Shankland, David; A.C.A., 1960; 152 Pencisely Road, Llandaff, Cardiff.
- Shaw, Edwin Alan; A.C.A., 1960; 137 Watwood Road, Shirley, Solihull, Warwicks.
- Shaw, Howard; A.C.A., 1960; 70 Ashton Road, Hyde, Cheshire.
- Shaw, Michael Charles; A.C.A., 1960; 59 Eastcote Road, Pinner, Middlesex.
- §Sheahan, David Thomas; A.S.A.A., 1960; 1 Tweedy Road, Bromley, Kent.
- Sheikh, Fazlur Rahman, LL.B.; A.C.A., 1960; 22 Collingham Gardens, London, SW5.
- Sheikh, Mohamed Ashraf; A.C.A., 1960; with S. R. Stammers, 24 Gloucester Place, Brighton.
- Sherlock, James Frederick; A.C.A., 1960; 59 Prince of Wales Road, Coventry.
- Shew, Edmund Jeffrey; A.C.A., 1960; c/o 206 Prescott Road, St Helens, Lancs.
- Sherratt, Robert Peter; A.C.A., 1960; 7 Wallingford Road, Urmston, Manchester.
- Sherwin, Geoffrey; A.C.A., 1960; 23 Samuel Street, Balby, Doncaster.
- Short, Colin Maxwell; A.C.A., 1960; 12 Chester Place, Green Lane, Northwood, Middlesex.
- Simpson, Clifford Albert; A.C.A., 1960; 81 Essex Road, Leyton, London, E10.
- Skillman, Leon Arthur Dinnis; A.C.A., 1960; 23 Marshal's Drive, St Albans, Herts.
- Slater, Geoffrey Robert; A.C.A., 1960; 24 Carr Lane, Greenfield, Oldham.
- Slater, Peter Finlay; A.C.A., 1960; 'Greenways', Bamford, near Sheffield.
- Sleep, Derek James; A.C.A., 1960; 27 Clifford Avenue, Taunton, Somerset.
- Smart, Arthur Bryan Wernicke; A.C.A., 1960; 130 Hampton Road, Redland, Bristol, 6.
- Smith, Colin George; A.C.A., 1960; 4 Bewsley Hill, Copplestone, Crediton, Devon.
- Smith, Colin Harold Pottier; A.C.A., 1960; 129 Woodmansterne Road, Carshalton Beeches, Surrey.
- Smith, David John; A.C.A., 1960; 103 Moonshire Lane, Sheffield, 5.
- Smith, John Arthur; A.C.A., 1960; Sunbury Villa, Furlong Road, Bourne End, Bucks.
- Smith, John Naylor; A.C.A., 1960; 13 Eastbury Road, Northwood, Middlesex.
- Smith, John Wallace, B.Sc.(ECON.); A.C.A., 1960; c/o Arthur J. Smith & Co, 8 Kew Road, Richmond, Surrey.
- Smith, Martin Lightoller; A.C.A., 1960; 29 Palace Road, East Molesey, Surrey.
- Smith, Michael Kendrick; A.C.A., 1960; 8 Cleveland, Beech Road, Reigate, Surrey.
- Smith, Peter Anthony; A.C.A., 1960; with Thornton Baker & Co, Shell House, London Road, Leicester.
- Smith, Roy Charles; A.C.A., 1960; 76 Strathdon Drive, Aboyn Road, London, SW17.
- Smith, Thomas Rudman; A.C.A., 1960; 8 Leeds Road, Eccleshill, Bradford, 2.
- Smith, Victor; A.C.A., 1960; 6 Deerhurst Road, London, NW2.
- Snell, John William; A.C.A., 1960; 11 Noel Road, Acton, London, W3.
- Sood, Vishwa Dev; A.C.A., 1960; 3 Glazbury Road, London W14.
- Southwood, Brian William; A.C.A., 1960; 100 Derby Road, Widnes, Lancs.
- Speed, David Warwick; A.C.A., 1960; Westside, Chestnut Avenue, Mickleover, Derby.
- Spence, Colin; A.C.A., 1960; Tripps Cottage, Doniford, Watchet, Somerset.
- Spencer, Stanley; A.C.A., 1960; 18 Chapel Lane, Morton, Gainsborough, Lincs.
- Spier, Anthony; A.C.A., 1960; 60 Avondale Road North, Southport, Lancs.
- Stack, Keith Sidney; A.C.A., 1960; Hall Cottage, Frogs Island, East Hanningfield, Chelmsford, Essex.
- Staines, Kenneth Alfred Brooksbank; A.C.A., 1960; 41 Cottesmore Avenue, Barton Seagrave, Kettering, Northants.

- Stanworth, Albert Denis, B.A.; A.C.A., 1960; Seascale, Wheatley Lane Road, Barrowford, near Nelson, Lancs.
- Stapleton, Brian Laurence; A.C.A., 1960; 496 Kingsland Road, Dalston, London, E8.
- Stapleton, Francis John; A.C.A., 1960; 81 Lower Richmond Road, Putney, London, SW15.
- Starr, David Kellow; A.C.A., 1960; with Broads, Paterson & Co, Garrard House, 31-45 Gresham Street, London, EC2.
- Stather, Cyril; A.C.A., 1960; 22 Fairfield, Fairburn, Knottingley, Yorks.
- Steadman, William Bradford Kirkbride; A.C.A., 1960; 112A Gloucester Place, London, W1.
- Steere, Colin James; A.C.A., 1960; 77 Kimberley Road, Croydon, Surrey.
- Stenning, Raymond George; A.C.A., 1960; 23 Matlock Road, Caversham, Reading, Berks.
- Stephens, Roy Edward; A.C.A., 1960; 7 Pinetree Gardens, Seatonville Road, Whitley Bay, Northumberland.
- Stevens, John; A.C.A., 1960; 16B Beauty Bank, Old Hill, Staffs.
- Stewart, Hugh Parker, LL.B.; A.C.A., 1960; with Hill, Vellacott & Bailey, Bank Chambers, 39 Arthur Street, Belfast, 1, N. Ireland.
- Stillitz, Gerald Barry; A.C.A., 1960; 36 Avenue Road, London, NW8.
- Stokes, Michael Edwin James; A.C.A., 1960; 38 Battenhall Road, Worcester.
- Stokes, Roger Henry; A.C.A., 1960; 6 Meadow Road, Margate, Kent.
- Stokoe, John Edward; A.C.A., 1960; Halton Shields, Corbridge-on-Tyne, Northumberland.
- Stoppard, Peter; A.C.A., 1960; Tregenna, Providence Lane, Long Ashton, near Bristol.
- Stroud, Alan Walter; A.C.A., 1960; 1 Hilda Cottages, Station Street, Northfleet, Kent.
- Struel, Irving; A.C.A., 1960; 153 Cyncoed Road, Cardiff.
- Sullivan, Derek Maurice; A.C.A., 1960; 183 Gleneldon Road, Streatham, London, SW16.
- Sutton, Brian; A.C.A., 1960; 4 Brooklands Crescent, Gedling, Nottingham.
- Sutton, Leslie Mark; A.C.A., 1960; 51 Bramcote Avenue, Mitcham, Surrey.
- Swan, Noel Eric Bishton; A.C.A., 1960; 75 Kings Road, Westcliff-on-Sea, Essex.
- Swift, John; A.C.A., 1960; 131 Broad Oak Road, Parr, St Helens, Lancs.
- Sykes, Kenneth; A.C.A., 1960; 12 Waterloo Road, Romiley, near Stockport.
- Taffs, Gavin Charles; A.C.A., 1960; 14 Grove Park Road, Motttingham, London, SE9.
- Tait, William Gillon; A.C.A., 1960; 3 Quinta Nova, Carcavelos, Portugal.
- Talfourd-Cook, Brian; A.C.A., 1960; Hopkirk Farm, Grazeley, near Reading, Berks.
- Tattershaw, Robert; A.C.A., 1960; 7 Crich Circle, Littleover, Derby.
- Tayar, Clifford George; A.C.A., 1960; 340 Hagley Road, Edgbaston, Birmingham, 17.
- Taylor, Anthony Thomas; A.C.A., 1960; 1 Mornington Road, Anderton, near Chorley, Lancs.
- Taylor, Derrick Radcliffe Hanson; A.C.A., 1960; 1 Loxley Road, Wandsworth Common, London, SW18.
- Taylor, Frank William; A.C.A., 1960; 25 Allcot Avenue, Hr. Tranmere, Birkenhead, Cheshire.
- Taylor, Graham William; A.C.A., 1960; 242 Singlewell Road, Gravesend, Kent.
- Taylor, John Frederick; A.C.A., 1960; Bamford, Holborn Hill, Ormskirk, Lancs.
- Taylor, Kenneth Hartland; A.C.A., 1960; Lluesty, Holywell, Flint.
- Thacker, Basantlal Shivji; A.C.A., 1960; with Cansdale & Co, Throgmorton House, 15 Copthall Avenue, London, EC2.
- Thewlis, Michael Anthony; A.C.A., 1960; 8 Chantry Road, Lupset, Wakefield, Yorks.
- Thomas, Aidan David Henry; A.C.A., 1960; 31 Tavistock Avenue, Perivale, Middlesex.
- Thomas, Donald Albert; A.C.A., 1960; Flat 1, 15 Spilman Street, Carmarthen, South Wales.
- Thomas, John Michael; A.C.A., 1960; 2 Duncombe Hill, Honor Oak Park, London, SE23.
- Thomas, John Noel; A.C.A., 1960; 10 Earlsdon Avenue South, Coventry.
- Thomas, Trevor Ernest; A.C.A., 1960; 212 Uphall Road, Ilford, Essex.
- Thomas, William Edward Lloyd; A.C.A., 1960; 237 Wardour Street, Atherton, Manchester.
- Thompson, Alfred Charlton; A.C.A., 1960; 3 Fernhurst Gate, Aughton, near Ormskirk, Lancs.
- Thompson, Garner; A.C.A., 1960; 4 Rowley Drive, Hazel Grove, near Stockport, Cheshire.
- Thompson, Henry Joseph; A.C.A., 1960; 94 Lyndhurst Gardens, Barking, Essex.
- Thompson, Kenneth Muir; A.C.A., 1960; 123 Cavendish Street, Barrow-in-Furness, Lancs.
- Thornton, George; A.C.A., 1960; 3 Moor Lane, South Shields, Co. Durham.
- Tighe, Alan Francis; A.C.A., 1960; 1 Victoria Cottages, Scawby Road, Brigg, Lincs.
- Tinker, Alan; A.C.A., 1960; 114 Grove Crescent, Kingsbury, London, NW9.
- Tiscoe, Anthony Malcolm; A.C.A., 1960; 48 Gilda Court, Watford Way, London, NW7.
- Tomkins, Anthony Charles; A.C.A., 1960; 1 The Leasow, Aldridge, Walsall, Staffs.
- Tonge, Robert Christopher; A.C.A., 1960; 23 Grange Road, Bramhall, Stockport.
- Torlesse, Charles David; A.C.A., 1960; Trentham, Cragmoor Road, Burton Joyce, Nottingham.
- Tosswill, Simon Richard; A.C.A., 1960; Lutyens House, Thursley, Surrey.
- Tovey, Humphrey Paul; A.C.A., 1960; Hayescroft, Glasllwch Lane, Newport, Mon.
- Trew, Gordon Alexander; A.C.A., 1960; c/o 43 Chantry Road, Moseley, Birmingham, 13.
- Troubridge, John Prescott; A.C.A., 1960; 'Little Hay', Flexford Road, Normandy, near Guildford, Surrey.
- Trouse, Martin John, B.Sc.(ECON.); A.C.A., 1960; 5 Hambledon Gardens, South Norwood, London, SE25.
- Tuck, Noel Geoffrey John; A.C.A., 1960; The Campus, Market Avenue, Chichester, Sussex.
- Tuohy, John Colin; A.C.A., 1960; 41 Bromley Road, Edmonton, London, N18.
- Turl, Geoffrey; A.C.A., 1960; with A. C. Mole & Sons, Stafford House, 10 Billetfield, Taunton, Somerset.
- Turner, Raymond Thomas; A.C.A., 1960; 90 The Woodlands, Southgate, London, N14.
- Twitchen, Brian Frank Gerald; A.C.A., 1960; 81 Kings Road, Reading, Berks.
- Tymms, Roy Nairn; A.C.A., 1960; 20 Kindersley Way, Abbots Langley, Watford, Herts.
- Underwood, Ernest James; A.C.A., 1960; 167 Whitehouse Common Road, Sutton Coldfield, Warwicks.
- Underwood, William Greaves; A.C.A., 1960; The Grange, Whaddon in the Vale, Notts.
- Upton, George Robert; A.C.A., 1960; 9 St John's Road, Writtle, Chelmsford, Essex.
- Varnish, Robert Heath; A.C.A., 1960; 65 Duxford Road, Great Barr, Birmingham, 22A.
- Vaughan, Richard Leslie; A.C.A., 1960; 52 Richmond Avenue, Highams Park, London, E4.
- Vercoe, Peter Nicholas; A.C.A., 1960; 10A Rusham Road, Nightingale Lane, Balham, London, SW12.
- Vigor, David Alan; A.C.A., 1960; Hillstead, Primrose Hill, Brentwood, Essex.
- von Gebssattel, (Miss) Antonia; A.C.A., 1960; 10 Sheffield Terrace, London, W8.
- Wade, Philip Anthony; A.C.A., 1960; 136 Bush Hill, Northampton.

- Wagstaffe, Alwyn Trevor, B.COM.; A.C.A., 1960; 27 Chesterfield Road, Brimington, near Chesterfield, Derbyshire.
- Wain, Anthony Charles; A.C.A., 1960; 44 Kenilworth Crescent, Enfield, Middlesex.
- Walker, Malcolm; A.C.A., 1960; 8 Crosshills Mount, Greetland, Halifax.
- Wall, Ian Briggs; A.C.A., 1960; 'Lyndhurst', Selby Road, Thorne, near Doncaster.
- Walmsley, Jonathan George; A.C.A., 1960; with David Smith, Garnett & Co, 61 Brown Street, Manchester, 2.
- Walton, George Rimmer; A.C.A., 1960; 32 Cornwall Avenue, Over Hulton, Bolton, Lancs.
- Warburton, Donald; A.C.A., 1960; 29 Langfield Avenue, Blackpool, S.
- Ward, Peter James; A.C.A., 1960; 42 Wentworth Gardens, Palmer's Green, London, N13.
- Waters, Brian Wallace; A.C.A., 1960; 168 Princes Gardens, West Acton, London, W3.
- Watson, David Taylor Urquhart; A.C.A., 1960; 1 Clarence Lodge, Englefield Green, Surrey.
- Weatherston, Ian Robert; A.C.A., 1960; 41 Kings Road, Berkhamstead, Herts.
- Webb, Anthony Clifford; A.C.A., 1960; 77 Vancouver Drive, Newport, Mon.
- Webb, Victor Ernest; A.C.A., 1960; 20 Church View Road, Witney, Oxon.
- Webley, Malcolm Anthony Charles; A.C.A., 1960; 60 Aldridge Road, Littleaston, near Aldridge, Staffs.
- Webster, Peter Frederick; A.C.A., 1960; 21 St Georges Crescent, Monkseaton, Whitley Bay, Northumberland.
- Weeds, Colin Neville; A.C.A., 1960; 16 Great Hoggett Drive, Chilwell, Beeston, Notts.
- Weinberg, Gordon George; A.C.A., 1960; 16 Martley Drive, Ilford, Essex.
- Welfare, Michael Charles; A.C.A., 1960; Hazelbank, Ewhurst, near Cranleigh, Surrey.
- Weller, Antony Graham; A.C.A., 1960; 54 Cambridge Drive, Lee, London, SE12.
- Wheatley, Alan Edward; A.C.A., 1960; 135 Upney Lane, Barking, Essex.
- Wheeler, Gerald Joseph; A.C.A., 1960; 17 Weston House, King Edwards Road, London, E9.
- Whinney, Frederick John Golden; A.C.A., 1960; 41 Astons Road, Moor Park, Northwood, Middlesex.
- White, Allan; A.C.A., 1960; No. 1 Flat, 6 Regent Square, Doncaster, Yorks.
- White, David Neville; A.C.A., 1960; 10 Monks Terrace, Hexham, Northumberland.
- White, Michael Henry; A.C.A., 1960; 4 Saville Court, Brompton Square, London, SW3.
- Whitehead, Godfrey; A.C.A., 1960; 81 Grosvenor Avenue, Jesmond, Newcastle upon Tyne, 2.
- Whitehouse, Henry John; A.C.A., 1960; 1 Florence Grove, Stone Cross, West Bromwich, Staffs.
- Whiter, Antony Richard; A.C.A., 1960; 19 Chatsworth Avenue, Haslemere, Surrey.
- Whitham, Roy; A.C.A., 1960; 16 Woodbine Road, Fartown, Huddersfield.
- Whitmore, Geoffrey Hector; A.C.A., 1960; 94 Leamington Road, Coventry.
- Wiard, Peter; A.C.A., 1960; Yelverton, Delavor Road, Heswall, Cheshire.
- Wilby, David Edward; A.C.A., 1960; 17 Leeson Street, Aylestone, Leicester.
- Wilby, Norman; A.C.A., 1960; 27 Lansdowne Road, Stanmore, Middlesex.
- Wiles, Ronald Sidney; A.C.A., 1960; 132 Evelyn Grove, Southall, Middlesex.
- Wilkes, David Leslie; A.C.A., 1960; 10 Henley Road, Ludlow, Salop.
- Wilkin, Derick; A.C.A., 1960; 'Inverewe', Chowdene Bank, Low Fell, Gateshead, 9, Co. Durham.
- Wilkins, Richard Michael; A.C.A., 1960; 38 Singleton Scarp, Woodside Park, London, N12.
- Wilkinson, Neil Freeman; A.C.A., 1960; 223 Malden Road, New Malden, Surrey.
- Williams, Derek Walker; A.C.A., 1960; 3 Bramwell Avenue, Prenton, Birkenhead, Cheshire.
- §Williams, Sidney; A.S.A.A., 1960; 48 Saltburn Road, Wallasey, Cheshire.
- Willis, Peter Allen; A.C.A., 1960; 174 Amersham Way, Little Chalfont, Bucks.
- Wilson, David Campbell; A.C.A., 1960; 15 Appleby Terrace, Roker, Sunderland.
- Wimpenny, David George; A.C.A., 1960; The Green, Cowlersley Lane, Huddersfield.
- Winterbottom, David Stuart; A.C.A., 1960; 16 Bentcliffe Drive, Street Lane, Leeds, 17.
- Wolf, Michael Lewis, B.COM.; A.C.A., 1960; 55 Warkton Lane, Barton Seagrave, Kettering, Northants.
- Wood, Joseph William; A.C.A., 1960; 220 Highfield Road, Chase Cross, Romford, Essex.
- Wood, Peter Adrian Kinnear; A.C.A., 1960; 31 Carlaw Road, Prenton, Birkenhead, Cheshire.
- Worth, Brian Leslie; A.C.A., 1960; 14 Woodlands Road, Harrow, Middlesex.
- Wray, Ian Webster; A.C.A., 1960; 17 Verdayne Avenue, Shirley, Croydon, Surrey.
- Wright, Albert James; A.C.A., 1960; 13 Eldean Road, New Duston, Northampton.
- Wright, John Michael; A.C.A., 1960; 'West Down', Waggs Road, Congleton, Cheshire.
- Wright, Lewis Walter; A.C.A., 1960; 27 Harrington Avenue, Lincoln.
- Wright, Neil Anthony; A.C.A., 1960; Heatherley, Boxhill Road, Tadworth, Surrey.
- Young, Maurice; A.C.A., 1960; 13 John Street, City Road, Cambridge.
- Yuill, George William; A.C.A., 1960; 27 Chigwell Rise, Chigwell, Essex.
- Zahid, Asif Mahmud; A.C.A., 1960; 42 Kingsley Court, St Paul's Avenue, London, NW2.
- ¶Ziprin, Geoffrey Charles; A.C.A., 1960; 43 Upper Berkeley Street, London, W1.

Fellowship

The Council acceded to applications from twelve associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member Becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Colah, Minoo Kakey; (1958); A.S.A.A., 1957; with Kay, Keeping & Co, 51 New Cavendish Street, London, W1.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- Allsopp, Harry William; A.C.A., 1958; (S. 1950); (*R. P. Opass, Billings & Harris), 4 Angel Court, London, EC2, and at Belvedere.
- Ashton, Dan; F.C.A., 1960; A.C.A., 1927; Red Acre, Mytholmroyd, Halifax.
- Auerbach, Daniel; A.C.A., 1959; 9 Mansfield Street, London, W1.
- Barrell, Stanley Mann; F.C.A., 1960; A.C.A., 1958; (S. 1948); (S. M. Barrell & Co), 39/40 County Chambers, Weston Road, Southend-on-Sea.
- Bothamley, Kenneth Frank; A.C.A., 1958; (S. 1955); (F. A. Whiteley & Co), 33 Thornton Road, Heald Green, Cheadle, Cheshire, and at Hazel Grove.
- Butterworth, Cyril; A.C.A., 1959; (E. O. Mosley & Co), 6 Silver Street, Ramsgate, Kent, and at Bury.
- Carpenter, Roland John; A.C.A., 1958; (S. 1956); (Creasey, Son & Wickenden), 84 Chancery Lane, London, WC2.

Collins, Stanley Simon; A.C.A., 1959; (Simon Collins & Co), 17 Percy Street, London, W1.

Cousins, Leslie; A.C.A., 1959; (Messik, Arthur & Co), 32 Savile Row, London, W1.

Davis, Frederick William; A.C.A., 1958; (S. 1952); (Osborne Ward & Co), Avon House, 356/366 Oxford Street, London, W1.

Finn, Leonard Ian; A.C.A., 1958; 13 Foscote Road, London, NW4; also at 18 Charing Cross Road, London, WC2 (Maurice Sherman & Co).

Goodhew, Benjamin John; A.C.A., 1958; (S. 1951); (Bradley, Slater & Ratcliffe), 582/4 Christchurch Road, Boscombe, Bournemouth, and at Christchurch.

Green, Norman Ewart; A.C.A., 1956; 18 Lichfield Avenue, Hale, Cheshire.

Hancocks, Cecil Ernest; A.C.A., 1958; (S. 1952); (Geo. O. Harrison & Co), 20 Claremont Hill, Shrewsbury.

Holland, John Edward; A.C.A., 1958; (Gordon Emery & Co), Central Chambers, Red Lion Square, Heanor, Derbyshire, and at Derby.

Hounsell, Norman; A.C.A., 1958; (Bryden, Channing & Co), 28 East Street, Bridport, Dorset.

Howard, Samuel; A.C.A., 1958; (S. 1956); (E. O. Mosley & Co), 16 Bolton Street, Bury, and at Ramsbottom.

Hume, John Alexander; A.C.A., 1955; (Oldham, Holland & Co), 63/4 New Broad Street, London, EC2, and at High Wycombe.

Jimson, John Richard; F.C.A., 1960; A.C.A., 1958; (S. 1949); (Jimson, Smits & Co), 42 Bramber Road, Friern Barnet, London, N12.

Joseph, Ramon; A.C.A., 1959; (R. Joseph & Co), 11 New Court, Lincoln's Inn, London, WC2.

Landsman, Martin; A.C.A., 1955; 116 Leaside Crescent, London, NW11.

Levy, Ben; F.C.A., 1960; A.C.A., 1935; 19 Shaftesbury Avenue, Kenton, Harrow, Middlesex.

Macfarlane, Ian; A.C.A., 1956; (Basil Hallett & Co), Staple House, 51/2 Chancery Lane, London, WC2.

Masterton, Noel John; A.C.A., 1956; (C. Herbert Smith & Russell), Devonshire House, 40/42 Great Charles Street, Birmingham, 3.

Mitchell, Gordon Baldwin; F.C.A., 1960; A.C.A., 1939; (Pearson Lund & Co), 49 Wellington Street, Strand, London, WC2.

Nightingale, John Phethean; A.C.A., 1950; (P. & J. Kevan), 12 Acresfield, Bolton.

Nunn, Ernest Charles; A.C.A., 1951; (J. & A. W. Sully & Co), Prudential Buildings, 102/103 High Street, Barnstaple, and at South Molton.

Reardon, Robert Patrick; A.C.A., 1958; (S. 1953); (F. E. Sidaway, Son & Co), 6 Long Lane, Blackheath, Birmingham, and at Halesowen.

Riley, Arthur William; F.C.A., 1960; A.C.A., 1958; (S. 1939); (G. H. Attenborough & Co), 9 and 10 Fenchurch Street, London, EC3.

Rose, Philip; A.C.A., 1951; 12 Gladstone Park Gardens, London, NW2.

Russell, Peter Powell; A.C.A., 1952; (Creasey, Son & Wickenden), 84 Chancery Lane, London, WC2.

Smits, Leonard Peter John; A.C.A., 1951; (Jimson, Smits & Co), 42 Bramber Road, Friern Barnet, London, N12.

Stedman, Gordon John; A.C.A., 1957; Little Cosawes, Peran-ar-Worthal, Truro, Cornwall.

Tanner, Edward Ismar; A.C.A., 1959; (Edward I. Tanner & Co), 2 The Croft, Hoop Lane, London, NW11.

Thompson, Alwyn Charles Robert, M.A.; A.C.A., 1955; (P. & J. Kevan), 12 Acresfield, Bolton.

Thursz, Ronald Louis; A.C.A., 1959; 314 Church Street, Blackpool.

Whiten, Thomas Hubert; F.C.A., 1960; A.C.A., 1958; (S. 1935); 11 Coniston Road, Beeston, Notts.

Wood, John Hubert; A.C.A., 1958; (Chipchase, Wood & Co), Royal George Chambers, Victoria Street, Bishop Auckland; (for other towns see Chipchase, Wood & Co, and Chipchase, Wood & Jacobs).

Wyatt, Roderick; A.C.A., 1957; (Roderick Wyatt & Co), 5 Oldham Road, Rochdale.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from fourteen members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Readmission to Membership

Subject to payment of the amounts required by the Council, one former member of the Institute was admitted to membership under clause 23 of the supplemental Royal Charter. Two applications were refused.

It was reported to the Council that the following readmissions, made at the Council meetings on January 6th and February 3rd, 1960, subject to payment of the amount required, had become effective:

Ashmawi, Ibrahim Ali, A.C.A., 17 Sheikh Barakat Street, Garden City, Cairo, Egypt.

Ferguson, Arthur Charles Eldridge, F.C.A., c/o Massey-Ferguson Ltd, 'M' Foundry, Brantford, Ontario, Canada.

Hartley, Edward, F.C.A., 70 Kingston Crescent, Portsmouth.

O'Shea, Maurice John, B.A.(COM.), F.C.A., 2 North Luton Place, Cardiff.

Resignations

The Council accepted the resignations from membership of the Institute of:

Cruickshank, Archibald, A.S.A.A., 25 Milngavie Road, Bearsden, Glasgow.

Dawson, John Reginald Outram, B.Sc., F.C.A., 3 Grindal Place, St Bees, Cumberland.

Dewey, William Parkin, F.C.A., c/o Imperial Chemical Industries Ltd, Billingham, Co. Durham.

Doouss, Maurice James, A.C.A., 2 Charnhill Crescent, Mangotsfield, Bristol.

Mitcheson, Geoffrey Ludlow, F.C.A., 3 Hesketh Avenue, Manchester, 20.

Pitts, Alfred, F.C.A., c/o J. W. Brown (Crosshills) Ltd, Crosshills, Keighley.

Robinson, James Sidney, F.C.A., 28 Grand Avenue, Topworth, Surbiton, Surrey.

Ryall, David John; A.C.A., 147 Banstead Road, Carshalton Beeches, Surrey.

Schofield, William Shackleton, F.C.A., 362 Kings Road, Hurst, Ashton-under-Lyne.

Tetley, Sidney James, A.C.A., 16 Lichfield Road, Northwood Hills, Middlesex.

Watson, John Maclaren, F.C.A., 'Downaway', Alderley Edge, Cheshire.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Cyril Leslie Bennett, F.C.A., London.

„ Ethelbert James Bennett, O.B.E., F.C.A., Toronto.

„ Harry Bousfield, F.C.A., Halifax.

„ Percy Hubert Christmas, F.C.A., Wrestlingworth.

„ Joseph Arthur Greenfield, F.C.A., London.

„ Harry Ingamells, F.C.A., Cambridge.

„ Alfred Ernest Marmaduke Long, B.Sc., F.C.A., Stourbridge.

„ George Edmund Pike, F.C.A., London.

„ Andrew Combrink Rauch, A.C.A., Salisbury, Southern Rhodesia.

„ Herbert Cliff Ryland, F.C.A., London.

„ Alfred Victor Sully, M.C., J.P., F.C.A., London.

„ Eric Anthony Titley, F.C.A., London.

„ Alexander Ronald Turner, F.S.A.A., Johannesburg.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on February 3rd, 1960.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Stanley John Hemmings, A.C.A., was at the General Session held in the Old Bailey on April 14th, 1959, convicted on indictment for that he with intent to defraud forged a document purporting to be a letter dated December 2nd, 1952, from himself to a certain person, so as to

render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Stanley John Hemmings, A.C.A., had been proved and the Committee ordered that Stanley John Hemmings, A.C.A., of 34 St Leonards Road, Bexhill-on-Sea, Sussex, be suspended for a period of one year from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Business Associations under French Law; by E. M. Church. 1960. (Sweet & Maxwell, 115s 6d.)
Business Experience with Electronic Computers: a synthesis of . . . electronic data processing installations; by B. Conway, J. Gibbons and D. E. Watts. New York. 1959. (Controllers Institute Research Foundation, 45s.)
Capital Finance of Local and Public Authorities. (Institute of Municipal Treasurers and Accountants.) 1959. (I. of M.T. & A., presented.)
Capital Imports into Sterling Countries; by A. R. Conan. 1960. (Macmillan, 18s.)
Company Taxation in Western Europe; by R. Mees & Zoonen. Rotterdam. 1959. (International Bureau of Fiscal Documentation, presented.)
Directory of Opportunities for Qualified Men 1960. (Cornmarket Press.) 1960. (Cornmarket Press, 8s 6d.)
Fire Insurance Law; by H. Taylor: second edition by J. K. Jones. 1959. (Pitman, 30s.)
Fractions Anatomized: or, the doctrine of parts . . .; by R. Ramsbottom. 1762. (Maggs, 55s.)

Hanson's Death Duties; by A. Hanson: tenth edition by H. E. Smith. 1956. Fourth supplement 1959. (Sweet & Maxwell, 126s and 21s.)
An Introduction to Business Forecasting. (Institute of Cost and Works Accountants.) 1959. (I.C.W.A., presented.)
The Law of Torts; by H. Street: second edition. 1959. (Butterworth, 55s.)
Not Unanimous: a rival verdict to Radcliffe's on money; by P. Thorneycroft, E. V. Morgan, R. F. Henderson, F. W. Paish, W. King, Sir O. Hobson. 1960. (Institute of Economic Affairs, 21s.)
Punched Cards; by J. S. Smith, F.C.A. 1960. (Macdonald & Evans, 50s.)
Return on Capital as a Guide to Managerial Decisions. (National Association of Accountants.) New York. 1959.
Some Monetary Problems International and National; by P. Jacobson. 1958. (O.U.P., 42s.)
Work Study; by R. M. Currie. 1960. (Pitman, 22s 6d.)

In Parliament

Income Tax: Retired People

Mr EMERY asked the Chancellor of the Exchequer what would be the loss to the Exchequer if all people of retirement age were excused taxation on the first £400, the first £450 and the first £500 of their income, respectively.

Sir E. BOYLE: To give a special personal allowance for all males over 65 and single females over 60, so that they begin to pay tax at £400, would cost £24 million in a full year. The corresponding figures for £450 and £500 are £30 million and £34 million.
Hansard, Feb. 17th, 1960. Written Answers. Col. 128.

Rating of Industry

Mr W. HAMILTON asked the Secretary of State for Scotland whether, in view of the increased and rapidly increasing provision of State financial help to private industry, he will now take steps to introduce legislation providing for the full re-rating of industry.

Mr MACLAY: Industry was partially re-rated as recently as May 16th, 1959, and I have no further proposal to make at present.

Mr HAMILTON: Why not? As increasing amounts of public money are being given to private enterprise and at the same time local authorities are having to increase their rates because of the Government's policy, will not the right hon. gentleman introduce, as a matter of simple justice to the local authorities and

the ratepayers, a measure to ensure that industry pays its full share of the rate burden?

Mr MACLAY: I am by no means certain that at this moment when we are trying hard to encourage industries to go to Scotland I ought to take steps to increase their overheads.

Hansard, Feb. 23rd, 1960. Oral Answers. Col. 177.

Family Allowances

Mr SWINGLER asked the Minister of Pensions and National Insurance with which countries the United Kingdom has established reciprocal arrangements in regard to the payment of family allowances; and what efforts are being made to extend this list.

Mr BOYD-CARPENTER: Our reciprocal arrangements with the Isle of Man, Jersey, Guernsey, Canada, Australia, New Zealand, Belgium, Denmark, Finland, Norway and Yugoslavia all make provision in respect of family allowances. Our agreements with Cyprus, Malta, Israel, Switzerland and Turkey do not cover family allowances; these countries have not yet established general schemes of family allowances. There are no reciprocal provisions on family allowances in our agreements with the Irish Republic, the Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands and Sweden. Families going to those countries from the United Kingdom or coming from

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Just Published

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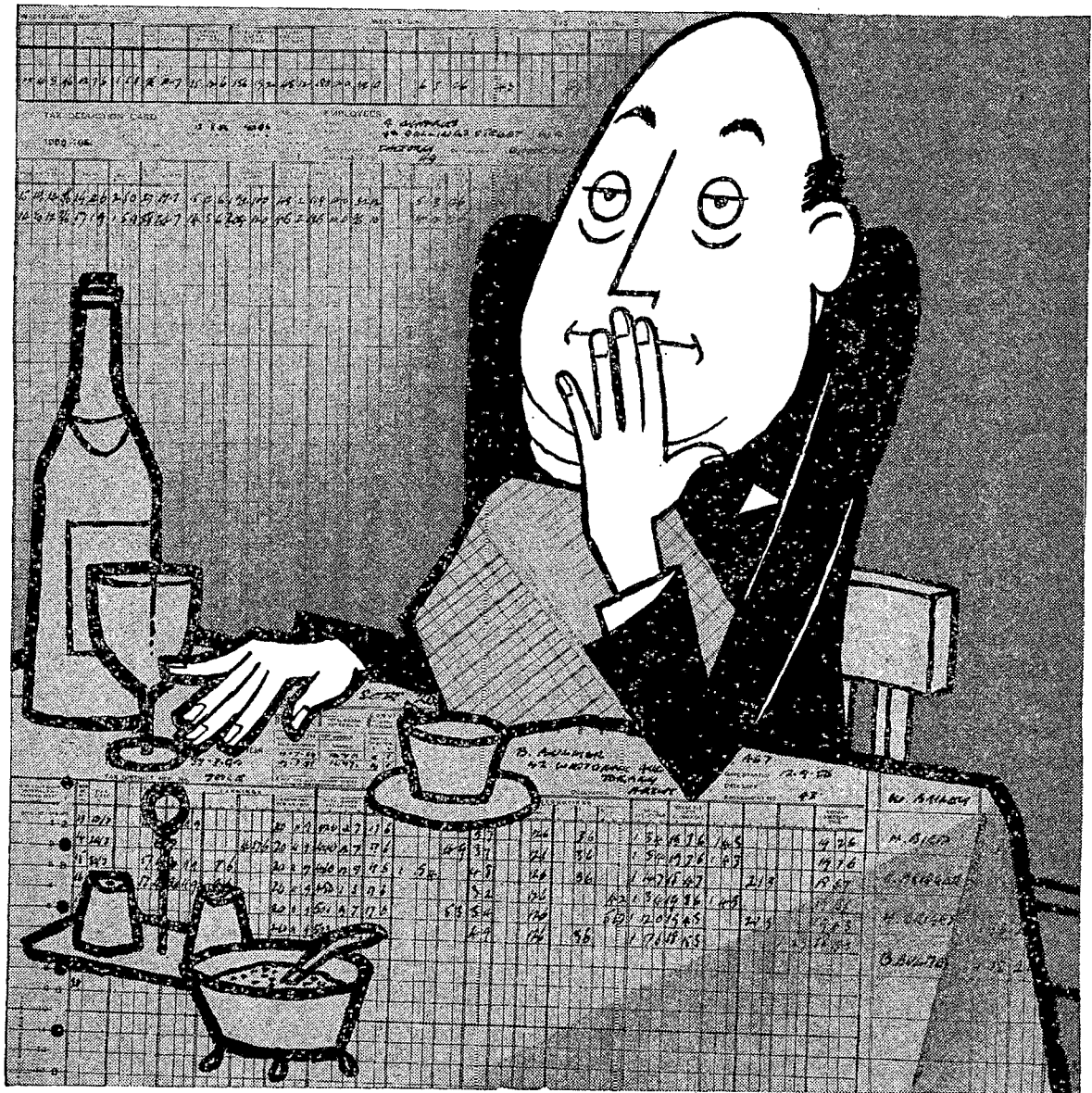
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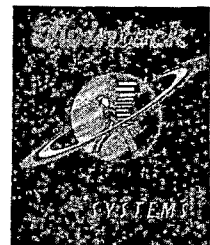
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those countries to the United Kingdom can, however, generally qualify for family allowances by virtue of one of the European Interim Agreements on Social Security which the United Kingdom and those countries have all ratified. I am always glad to take any opportunity there is of extending these useful and sensible arrangements.

Mr SWINGLER asked the Minister of Pensions and National Insurance the reasons for his policy of not extending the period of payment of family allowances to those citizens temporarily absent on work abroad but continuing to pay United Kingdom insurance contributions and income tax.

Mr BOYD-CARPENTER: The object of the family allowances scheme is to provide for families in this country as part of the social services of this country, and the view has always been taken that to pay allowances in respect of absences exceeding six months would be inconsistent with this object. There is, in any case, no connection between family allowances and insurance contributions which, if paid at all, are paid for quite different purposes. Liability for income tax may depend on such factors as the amount of the income and its source, which again have no relevance to family allowances.

Hansard, Feb. 22nd, 1960. Written Answers. Col. 10.

Income Tax: Travelling Expenses

Mr GRESHAM COOKE asked the Chancellor of the Exchequer if he will estimate the charge on the national Exchequer if the cost of travelling from home to place of business and vice versa were to be allowed as a deduction for tax purposes.

Mr AMORY: I regret that the information on which to base a specific estimate is not available but the charge would clearly be substantial.

Hansard, Feb. 23rd, 1960. Written Answers. Col. 32.

Income Tax: Loans to Local Authorities

Dr KING asked the Chancellor of the Exchequer if he will consider introducing legislation to provide income tax exemption on the first £300 of loans by individuals to local authorities.

Mr BARBER: No, sir.

Dr KING: Since it is good that, again, small investors should invest their money with local authorities, will the Economic Secretary ask his right hon. friend the Chancellor to consider whether he cannot apply the argument on Post Office savings to local authority savings on this scale?

Mr BARBER: No, sir. The two cases are quite distinct. The object of the concession, so far as the Post Office Savings Bank and trustee savings banks are concerned, was to encourage national savings, which are small savings lent to the Government.

Hansard, Feb. 25th, 1960. Oral Answers. Col. 545.

Income Tax: Schedule A

Mr W. CLARK asked the Chancellor of the Exchequer to what extent it would facilitate administration if Schedule A tax were abolished on all rented property and the net income therefrom assessed under Schedule D, instead of as at present taxing one source of income under two schedules of the Income Tax Acts.

Sir E. BOYLE: There is not enough information for an estimate, but the cost of administration would almost certainly be greater than at present.

Mr CLARK: Would my hon. friend agree that it would be generally welcomed by all professions in the property business if rented property were to be assessed under one schedule rather than under two, as at present – and, possibly, without any loss of revenue?

Sir E. BOYLE: My hon. friend's question refers specifically to administration, and the point is that the administrative costs would be expected to rise under his proposal, because the particulars of maintenance expenditure would have to be examined in every case.

Mr WADE: Would not the hon. gentleman agree that Schedule A tax is open to objections on grounds other than those of administrative complexity? For example, a landlord may not spend anything at all on repairs and maintenance but still get the statutory allowance. On the other hand, the owner-occupier may spend a great deal more than the statutory allowance but, because he does not know the law, may not reclaim what he is entitled to. Would not the simplest thing be to abolish Schedule A tax altogether?

Sir E. BOYLE: That raises rather wider issues. Perhaps the hon. gentleman will put some of those other questions on the Order Paper.

Hansard, Feb. 25th, 1960. Oral Answers. Col. 548.

Income Tax: Allowance

Mr DEMPSEY asked the Chancellor of the Exchequer if, having regard to the fact that incomes have approximately trebled since the pre-war days, in order to meet a much higher cost of living, he will increase the income tax allowance for married couples to a proportionate level and, at the same time, give effect to proportionate increases for unmarried persons.

Sir E. BOYLE: My right hon. friend has noted the hon. Member's suggestion.

Mr DEMPSEY: Does the Minister realize that these categories of income tax payers have been bearing an undue proportion of income tax contribution for a very long time? Does not he think that these allowances should be brought to a realistic level? Does not he realize that by doing so he would earn the gratitude of all?

Sir E. BOYLE: I hope that the hon. gentleman will not forget that even to raise the married man's allowance by £20 and single man's allowance by £10 would cost £78 million in a full year, so the hon. gentleman's proposal to increase the married man's allowance from £240 to £540 a year would be rather an expensive operation.

Hansard, Feb. 25th, 1960. Oral Answers. Col. 549.

Trusts: Tax Deduction Certificates

Mr J. HOWARD asked the Chancellor of the Exchequer if he will make it obligatory for a trustee and, in particular, the Public Trustee, to provide tax deduction certificates to the beneficiaries of a trust.

Sir E. BOYLE: I understand that in practice little difficulty arises and I am not satisfied that any alteration of the law in this matter is called for.

Mr HOWARD: Will my hon. friend bear in mind that many people of small means have had to rely on these certificates to enable them to recover tax which has been deducted at too high a rate? Will he at least ensure that the Public Trustee does not make a charge for the issue of these very necessary tax deduction certificates?

Sir E. BOYLE: Certainly. If my hon. friend would like to correspond with me on this subject and give me his experience, I shall take note of what he says.

Hansard, Feb. 25th, 1960. Oral Answers. Col. 560.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Dinner to Mr Alan S. MacIver

The President (in the chair), Vice-President and Past Presidents of The Institute of Chartered Accountants' in England and Wales, accompanied by their ladies, gave a dinner at *The Café Royal*, London, on Tuesday, March 1st, to Mr Alan S. MacIver, the Secretary of the Institute, and Mrs MacIver, to celebrate Mr MacIver's appointment in the New Year Honours List, as a Commander of the Order of the British Empire.

PROFESSIONAL NOTICES

MESSRS WHEAWILL & SUDWORTH, Chartered Accountants, of Huddersfield, London and Leeds, announce that they have taken into partnership Mr HARRY MORRELL, F.C.A., who has been a senior member of their staff for many years.

MESSRS ROWLEY, PEMBERTON & Co, Chartered Accountants, of 9 Bishopsgate, London, EC2 announce that Mr C. W. SHELFORD, M.A., F.C.A., will retire from the partnership on March 31st, 1960. The remaining partners will continue the practice at the same address.

MESSRS COOPER BROTHERS & Co, and COOPERS & LYBRAND of Malaya announce that their offices in Kuala Lumpur have been moved to 28-30 Old Market Square, (2nd floor), Kuala Lumpur, Federation of Malaya.

Appointments

Mr Norman Readman, F.C.A., has been appointed to the board of Chicago Pneumatic Tool Co, of New York.

Mr G. W. Plummer, F.C.A., has been elected chairman of Grand Hotel, Eastbourne.

Mr F. A. Bell, F.C.A., has been appointed a director of London and Edinburgh Insurance Co Ltd.

Mr H. J. Furness, F.C.W.A., has been appointed a director of Hoover (Washing Machines) Ltd.

Mr A. R. O. Slater, F.C.A., has been appointed chairman of Antwerp Oil Wharves Ltd.

Mr E. J. Watts, A.A.C.C.A., F.C.I.S., has been appointed managing director of Fullers Ltd and Callard, Stewart & Watt Ltd.

Mr A. W. Giles, M.B.E., M.A., C.A., has joined the board of The Scottish Australian Co Ltd.

Mr L. C. Parsons, A.C.A., F.C.I.S., has been appointed secretary of Williams (Hounslow) Ltd, following the retirement of Mr G. E. E. Linken, F.C.A.

ECONOMIC CONDITIONS IN AUSTRIA

A further booklet in the 1960 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation has recently been issued covering Austria. Copies are obtainable from H.M. Stationery Office, price 2s 6d.

NATIONAL ASSOCIATION OF INVESTMENT CLUBS

Mr David W. Moate, A.C.A., was elected President of the National Association of Investment Clubs at the first inaugural meeting of its National Council held at Caxton Hall, London, on March 5th. There are fourteen members of the Council made up of representatives of investment clubs in London, Manchester, Birmingham, and Dorset, Somerset, Glamorganshire, Denbighshire, Yorkshire and Northumberland.

Founded in 1958 by Mr Moate, the Association has grown to 138 affiliated clubs combining approximately 2,500 investors. The objects of the Association are to co-ordinate the activities of the movement for the best interests of affiliated investment clubs, and to assist and act as a central advisory centre for individual clubs on problems which arise from time to time.

Other officers elected were Mr Derek Ridout, *National Secretary*, and Mr Brian Johnson, A.C.A., *National Treasurer*.

The next meeting of the Council will be held in July and on July 6th-7th an international conference of investment club representatives is to take place in London. Acceptances to the conference have already been received from the United States, Canada, Holland and Japan and it is hoped that representatives from Australia, New Zealand, Kenya and Rhodesia will also be present.

Inquiries regarding the National Association of Investment Clubs should be addressed to 25-29 Coleman Street, London, EC2.

SOCIAL SECURITY AGREEMENTS WITH DENMARK AND FINLAND

The reciprocal social security agreements which the United Kingdom concluded last July and August with Finland and Denmark have been ratified¹ and both came into force on March 1st, 1960. The agreements cover benefits provided by the schemes of National Insurance, Industrial Injuries Insurance and Family Allowances in the United Kingdom and the corresponding benefits in Denmark and Finland, and people insured both in the United Kingdom and Denmark will be able to add their Danish insurance to their British contributions in order to determine their right to receive benefit.

A citizen of the United Kingdom and Colonies who is in Finland will be entitled to Finnish benefits on the same terms as a Finnish national. On returning to this country, he will be able to count periods of residence in Finland as periods of United Kingdom insurance for the purpose of qualifying for benefits here. British families will qualify for family allowances in Denmark or Finland on the same terms as the nationals of those countries. In addition, the Danish

¹ The Family Allowances, National Insurance and Industrial Injuries (Finland) Order, 1960 (S.I. 1960 No. 212). H.M.S.O., price 6d.

The Family Allowances, National Insurance and Industrial Injuries (Denmark) Order, 1960 (S.I. 1960 No. 211). H.M.S.O., price 8d.

health services will be available to all citizens of the United Kingdom and Colonies, including tourists, who are in urgent need of medical treatment.

Reciprocal social security agreements are already in force with the following countries:

Australia, Belgium, Canada, Cyprus, France, Guernsey, the Irish Republic, the Isle of Man, Israel, Italy, Jersey, Luxembourg, Malta, Netherlands, New Zealand, Northern Ireland, Norway, Sweden, Switzerland and Yugoslavia.

STUDENTS' TRAINEE EXCHANGE SCHEME

During the coming summer approximately 2,000 students of economics and commerce from colleges throughout the world will spend their vacation learning the business methods of foreign firms, through the medium of the International Economics Students' Association.

A.I.E.S.E.C. (L'Association Internationale des Etudiants en Sciences Economiques et Commerciales) is an international organization which aims to provide a world-wide link between students of economics, commerce and industry.

Member countries arrange for firms in their countries to employ foreign students in various positions enabling the trainee to study the general administration of the firm. The trainees are employed for periods of about two months at an average of £8 per week.

The students who come to work in the United Kingdom speak fluent English and can be useful to firms as replacements in the peak holiday period.

The local A.I.E.S.E.C. Committee arranges all details such as labour permits, accommodation, and reception. Any employers interested in taking part in the exchange scheme are invited to contact A.I.E.S.E.C. Committee, London School of Economics, Houghton Street, London, WC2.

HOSPITALITY FOR COMMONWEALTH STUDENTS

The Commonwealth Students' Committee of the Victoria League will gladly welcome to the League's headquarters at 38 Chesham Place, Belgrave Square, SW1, students from Commonwealth countries who are studying in London. Those who are living in lodgings and would like to meet English people living near them, are particularly welcome.

Students wishing to avail themselves of the invitation should contact Mrs Ackroyd, Secretary of the Commonwealth Students' Committee at the above address (telephone Sloane 6101), between the hours of 10 a.m. and 5 p.m., Mondays to Fridays, and 10 a.m. to 12 noon on Saturdays.

LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS Halifax Group

The ninth annual dinner of the Halifax group of the Leeds, Bradford and District Society of Chartered Accountants was held on February 24th at *The White*

Swan Hotel, Halifax. The Chairman of the group, Mr S. Sutcliffe, F.C.A., presided and among the guests were:

Mr J. M. Atkinson (*H.M. Inspector of Taxes*); Mr J. L. Balmforth (*President, Halifax Chamber of Commerce*); Mr D. G. Hull and Mr R. P. McKeone (*H.M. Inspectors of Taxes*); Mr W. Mackenzie (*President, Halifax Incorporated Law Society*); Alderman Miss Mary Pickles, J.P. (*Mayor of Halifax*); Mr H. L. Simpson, F.C.A. (*President, Leeds, Bradford and District Society of Chartered Accountants*), and Mr A. Worsman (*President, Halifax Chamber of Trade*).

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Week-end School at Oxford

The Association of Certified and Corporate Accountants is holding a week-end school on 'An application of electronic data processing' at *The Queen's College*, Oxford, from April 1st to 3rd.

Three papers will be presented: 'Planning and implementation', by Mr J. W. Kerr, A.A.C.C.A., and Mr H. A. Y. Dyer, A.A.C.C.A., 'Financial control and auditing procedures', by Mr R. B. Plank, A.A.C.C.A., and Mr M. G. Wright, B.COM., A.A.C.C.A., and 'Problems in human relationships', by Mr L. T. W. Sawyer, A.A.C.C.A., and Mr A. S. Doig, A.A.C.C.A. Following each paper there will be group discussions and at later sessions the authors of the papers, assisted by a panel, will answer questions submitted by group leaders.

The address of welcome will be given by the President of the Association, Mr W. Jackson, F.A.C.C.A., and Mr P. A. Bundy, F.A.C.C.A., chairman of the Electronic Data Processing Sub-committee, will deliver a preliminary address on the subject-matter of the papers and their interrelationship. The school will conclude with a general discussion under an independent chairman with the authors of the papers assisted by group leaders taking part.

THE LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Annual Dinner and Dance

We have been asked by the Secretary of the London and District Society of Chartered Accountants to say that tickets (at £2 each) are still available for the Society's dinner and dance to be held at *Grosvenor House*, Park Lane, on Wednesday, March 30th. Members are invited to make their reservations with the Secretary (Bishopsgate 0841-2) without delay.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will be held at *The Russell Hotel*, Russell Square, WC1, on Wednesday next, March 16th, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'Training for the profession', and the leader will be Mr E. Kenneth Wright, M.A., F.C.A.

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**READING AND DISTRICT GROUP OF
CHARTERED ACCOUNTANTS**

A meeting of the Reading and District Group of Chartered Accountants will be held on March 25th, at The Berkshire Club, at 7 p.m. when Mr Aucock of the Midland Bank will give a talk on "Thoughts on investment planning". It is hoped that there will be a good attendance of members and guests.

**CHARTERED ACCOUNTANTS'
HOCKEY CLUB**

**Chartered Accountants, 0; Oxford University
Occasionals, 3**

The Occasionals showed a marked superiority over the Chartered Accountants when they won their annual match at Wimbledon on February 10th. Although the Accountants fielded a strong side, the extra speed and fitness of the Occasionals was the telling factor. The Occasionals were faster than their opponents and despite an excellent game by Bingham in goal and good defensive positioning by Boobyer, they created gaps in the defence and well deserved their three goals. The following team represented the Chartered Accountants:

B. Bingham (Wimbledon); C. D. Jones (Bishop's Stortford); P. M. Emanuel (Merton); G. A. Davis (Merton); P. J. Boobyer (Wimbledon) (Captain); M. F. Hodder (Berkhamsted); D. J. Spruzen (Harrow); J. Winterfeld (Surbitor); J. Lawes (Richmond); W. Luff (Wimbledon); G. Robson (Purley).

Annual Match with Inland Revenue

The annual match between the Inland Revenue and the Chartered Accountants' Hockey Club will take place on the Inland Revenue Sports Ground at Marvels Lane, London, SE12, on March 20th, at 3 p.m.

Both sides are producing strong teams for the occasion and a number of Inland Revenue officials intend to be present. The Hockey Club committee extends an invitation to members and article clerks who may be interested in watching the game.

**THE INSTITUTE OF INTERNAL AUDITORS
Manchester Chapter**

The Manchester Chapter of The Institute of Internal Auditors is holding its next meeting on Tuesday, March 15th, at 7 p.m. in The Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2. when Mr H. A. Harris, Northern Area Inspector, Midland Bank Ltd, will speak on "The organization of a large bank". The chair will be taken by Mr K. Bradley, President of the Chapter and head of the Internal Audit Department, Associated Ethyl Limited, Northwich. A very cordial invitation is extended to all interested.

Information regarding the activities of the Chapter

may be obtained from Mr R. S. Rossiter, Divisional Internal Auditor, Shell-Mex and B.P. Limited, Shell-BP House, 7 Oxford Rd, Manchester, 1.

Yorkshire Chapter

The next meeting of the Yorkshire Chapter of The Institute of Internal Auditors will be held at the offices of the North Eastern Gas Board, Bridge Street, Leeds, 2, at 7 p.m. on March 22nd. The speaker will be Mr F. W. Allum, chief accountant of the North Eastern Gas Board who will present a paper on a case study in the preparatory work of installing and running the computer installation at North Eastern Gas Board with particular reference to billing, invoicing and cash and debtors control.

Information regarding the activities of the Chapter can be obtained from the secretary, Mr J. Coates, Divisional Internal Auditor, Shell-Mex and B.P. Ltd, Eastgate, Leeds, 2.

**THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF LONDON**

The following meetings will be held during next week:

Monday, Visit to the Old Bailey (limited number).

5.30 p.m., at the Chartered Insurance Hall, 20 Aldermanbury, EC2. Mock income tax appeal.

Wednesday, *5.30 p.m.*, at the Institute: (limited number). Lecture and demonstration of peg-board system of mechanized accounting.

Thursday, Association football v. Guys Hospital.

Visit to the Royal Mint (limited number)

5.15 p.m., at the Institute: Introductory course lecture on 'Bankruptcy, liquidation and receivership', by Mr A. C. Staples.

7 p.m., at Reading: Lecture on 'The taxation of limited companies', by Mr J. Kennedy Melling, F.C.A., A.T.I.L., F.R.ECON.S.

'59 Club' visit to *The Daily Mail*.

Friday, *5.15 p.m.*, at the Institute: Introductory course lectures on 'Taxable income', by Mr J. Kennedy Melling, F.C.A., A.T.I.L., F.R.ECON.S., and 'The law of agreements and damages' by Mr A. C. Staples.

7 p.m., at Chelmsford: Lecture on 'How to criticize a balance sheet', by Mr F. H. Jones, F.A.C.C.A., A.C.I.S.

**BRITISH INSTITUTE OF MANAGEMENT
Grant of Arms**

Arms have been granted to the British Institute of Management following application made by the Chairman, the Right Hon. the Earl of Verulam, J.P., on behalf of the Council of the Institute. The Arms assigned are:

'Azure Fretty Or a Mullet Argent on a Chief Gold a Lion passant Gules And for the Crest On a Wreath of the Colours In front of Two Keys in saltire Gold a Tower Gules'. The supporters are: 'On either side a Lion Gules supporting a Staff Or flying therefrom a Flag Azure charged with a Sun Gold'. The motto chosen is: 'DUCERE EST SERVIRE'.

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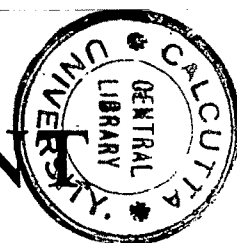
The Recognized
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Chartered Accountants
and Accountancy
throughout the World

THE ACCOUNTANT

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Jubilee in New Zealand

WHEN the New Zealand Society of Accountants was formed fifty years ago, its foundation members were elected by a registration board which consisted of four Government officials and a lawyer. It was laid down, in the first instance, that potential entrants must be familiar with the practice of double-entry book-keeping but this rule was relaxed when it was discovered that many 'musts' for admission, men in responsible positions who had been keeping the books of big firms on the single-entry principle for years, were entirely innocent of any knowledge of PACIOLO's 'famed invention'. Of 2,327 applicants, 2,116 qualified for membership on this rather shadowy standard.

The new Society naturally came in for much criticism and this journal, in a forthright leading article, expressed surprise that 'any legislative body should allow itself to become committed to a scheme for the registration of obvious incompetents!' The newly-elected Council, however, acted quickly and arranged that the University of New Zealand should conduct professional accountancy examinations on its behalf and, at the same time, co-ordinate the course with the Bachelor of Commerce degree. This wise move, together with a drift away from the Society by many of its unexamined foundation members, soon helped to improve its standing in the eyes of the censorious world. By 1924, the examined members outnumbered the unexamined and complete recognition came in 1933 when, by the Companies Act of that year, the right to audit accounts was restricted to its members. Today, the fact that the number of unexamined members has dwindled to less than one per cent shows how completely the Society conforms to the modern pattern of established professional competence.

While we are completely unrepentant about the coals of fire we heaped on the heads, bloody but unbowed, of those Antipodean pioneers of fifty years ago - any other body which presumed to set itself up today on the same basis would be similarly assailed - we rejoice that perhaps because fire - particularly the fire of sound criticism - is a tempering element, the now formidable New Zealand Society of Accountants has completed half a century of continued progress. In replying to our early strictures, MR PETER BARR, the Society's first President, said:

'The time may come when even *The Accountant* will recognize that the broad basis of our foundation has carried a superstructure that has lasted, and proved a boon to the profession in its widest sense, as well as to the commercial life of New Zealand.'

In congratulating it in attaining its golden jubilee, we are glad to acknowledge that the Society has indeed proved itself worthy to take a lasting place in guiding the destinies of the profession.

Revenue Account Presentation

by JOHN W. MATTHEWS, B.Sc.(Econ.), F.C.A.

BY long established custom, accountants treat wages, salaries and fees as costs along with purchased expense, the total being deducted from gross revenue to leave an excess or deficiency, called net profit or loss, for apportionment among proprietors. This is all right so long as accounts are only produced for the use of proprietors and only disclosed to them. Today, however, it is desirable that employees, as interested parties, should be shown the figures.

This new managerial approach is in line with economic as well as political concepts, as may be seen from the system of social accounting devised to show aggregates for the community as a whole.¹ The net added value for one undertaking, which is aggregated with others to obtain the total domestic output for the community, is the gross revenue minus the purchased expense, depreciation and other provisions; in other words, the amount paid out in wages, salaries, fees,² commissions and profits. Social accounts thus emphasize the fact that the net output of a business unit is realized in the income of those engaged in producing it. If the revenue account of a business is to conform with this notion of the nature of economic activity, it should be arranged somewhat as indicated in Figure 1.

Other information and ratios which might usefully be given for significant comparisons are:

Hours worked (productive labour) .. (E)	$\frac{X}{B}$
Average rate per hour	$\frac{E}{B}$
Non-variable earnings: variable earnings	$\frac{C}{B}$ (F)
Yield on capital employed (G)	$\frac{D}{G}$
Index of productivity	$\frac{A}{E \times C \times G}$

It is not to be hoped, perhaps not to be recommended, that this form of revenue account should entirely supersede customary methods. The matter would need some study. It comes to mind, for example, that Tax Inspectors might be puzzled and consequently difficult. It will be seen that the vexed problem of what constitutes the real

	£	£
GROSS REVENUE		x
Deduct Purchased expense:		
Production:		
Material used	x	
Administration and selling:		
Materials used	x	
Outside services	x	x
NET OUTPUT BEFORE PROVISIONS ..		x
Deduct Provision for maintenance of capital	x	
Provisions for bad debts etc. ..	x	
		x
NET OUTPUT (OR NET FACTOR REVENUE)	(A)	£x
DISTRIBUTION OF NET OUTPUT:		
Labour: ³		
Productive (or varying directly with production)	(B)	x
Administrative and selling (or not varying directly with production) ..	(C)	x
Capital:		
Interest	x	
Dividends	x	
		(D) x
Contribution to Government:		
Income tax	x	
Profits tax	x	
		x
Retained for additional investment:		
Capital reserves		x
Retained for future distribution:		
Revenue reserves (including future taxation)		x
		(A) £x

Fig. 1

net profit of a business is solved by the formulation of accounts which do not require this concept.

Concerning the suggested ratios, hours are a more reliable measure for productivity than earnings. If wage rates vary between one year and another, or between one business and another, or if more or less overtime is worked, the effect is to vary the shares of the different factors of production rather than to alter productivity.

This form of presentation may at least be claimed to be significant for employees, useful for management, suitable for the accounts of nationalized industries and other monopolies where net profit is no measure of efficiency, and for national statistics. Shareholders may not like it so well, but they are, for better or worse, falling more and more into the background in the modern world.

¹ See U.N. Studies and Methods series, pamphlet No. 2: *A System of National Accounts and Supporting Tables*.

² The decision as to whether a payment is purchased expense or remuneration depends on whether it is made to another business or to an employee. In any case this is only important in the social aggregates, where the mistake of double counting has to be avoided.

³ Some disagreement may arise about this item. Business

men usually confine the term 'labour' to wage earners. Economists for some purposes use the term for all work, for others they distinguish 'labour' from entrepreneurial activity. The word 'productive' may be thought invidious as applied only to direct labour. The chief reason for the distinction here is to obtain an appropriate division for the purpose of obtaining useful ratios, in particular an index of productivity.

More about Surtax Direction

by J. R. MEAD, J.P., F.C.A.

A paper on 'Surtax and companies' given by Mr Mead at a one-day conference of the Birmingham and District Society of Chartered Accountants last December was reproduced in The Accountant of January 23rd, 1960. In the following article which is by way of a sequel to his paper, the author discusses surtax direction in relation to property investment companies and liquidations.

I. — Surtax and Property Investment Companies

THE holding of real estate in property investment companies has gained somewhat in popularity in recent years. Apart from any taxation implications, the formation of such a company is often convenient where the estate of a deceased person includes investment properties which cannot be conveniently partitioned among a number of residuary beneficiaries, or where the head of a family wishes to divest himself of a block of investment properties in favour of his children and the same difficulties of partitioning apply.

Some income tax advantage may be gained from putting investment property into a company through the conversion of rents into earned income, such earned income taking the form of remuneration drawn from the company, upon which earned income relief will be allowed for income tax purposes. Such part of the remuneration as relates to the management of the properties will form the subject of a maintenance claim by the company, and that part of the remuneration which relates to the management of the company, as distinct from the properties, will form the subject of a management expenses claim under Section 425, Income Tax Act, 1952. Thus, the company will obtain income tax relief on the remuneration at the standard rate. However, there seems to be doubt as to whether some restriction can be applied by the Inland Revenue authorities where such remuneration appears to be in excess of the value of the services rendered. Moreover, high remuneration may well attract a surtax liability in the hands of the recipient, which will nullify the advantage of the earned income relief.

Surtax Implications

Less has been said about the surtax implications on transferring investment property to a company and this may be because the treatment applied by the Special Commissioners does not follow any well-known or set pattern.

Whereas the income of an investment company

from its investments is automatically directible to surtax, the 'estate income' of an investment company is not automatically directible, but is subject to the same tests as to distribution of a 'reasonable part' as ordinary trading income. It follows that a company of which the only activity is the ownership of investment property stands in a similar position, as regards surtax direction, to an ordinary trading company.

It is thus not surprising that the transfer of a wealthy person's investment properties into an investment company does appear, at first sight, to afford a surtax advantage on the assumption that at least a proportion of the profits can be retained in the company free from surtax, so long as some dividend distribution is made which is likely to be regarded as reasonable. This first impression is, however, partially dispelled when thought is given to the limited necessity for retaining funds in comparison with the requirements of a trading company.

Retention of Surplus Funds

In the first instance, it must be remembered that any application of the surplus towards the purchase of the property, whether by way of direct repayment of loans to the vendors or by way of redemption of outside finance raised for the purpose of the purchase, will be caught by Section 246 (2) and such part of the surplus will be automatically regarded as directible.

The setting aside of part of the surplus to cover future or deferred repairs probably ranks as a proper reason for retaining surplus within the company, so long as it can be substantiated that such repairs are in fact going to fall due and that funds will be needed to finance such repairs before the tax relief obtainable through the normal channel of the maintenance claim becomes available. In view of the fact that the maintenance relief will itself reduce the company's statutory income in later years, the taxpayer can hardly expect the Special Commissioners to give continuous exemption on this

basis, because he is asking for an advantage in respect of a relief which will, in any event, be available to him after the expenditure on repairs has been incurred.

The retention of surplus for the purpose of undertaking capital improvements is possibly one of the soundest reasons which can be advanced for surtax exemption. Such improvements are often in the public interest and should result in a higher taxable income becoming available.

Finally, the retention of surplus within the company for the acquisition of additional properties, whether of the same or a different type from those already owned, appears to present a case where no definite views can be expressed as to the surtax consequences. So far as trading companies are concerned, an expansion of trading activities is the soundest reason which can be advanced against surtax direction. This does not necessarily apply where the expansion is in effect merely the taking up of an additional investment. No definite pattern of treatment appears to emerge in such cases, and so long as the policy of re-investment is pursued reasonably and accompanied by a reasonable dividend distribution, it

would appear that the property investment company would give a useful advantage.

The holding of property in an investment company may possibly have the effect of bringing property dealings to the notice of the Inland Revenue authorities rather more readily than is the case where such dealings take place on personal account. The surtax implications make it all the more necessary that assessment on property dealings should be avoided wherever possible. For this reason the objects clause of the memorandum of association of a property investment company should make it perfectly clear that investment is the essential of the company's business and the memorandum often provides that profits derived from sales of properties shall be carried to a capital reserve account. It is doubtful whether such a provision will greatly influence the Inland Revenue authorities where they are of the opinion that the nature of property dealings is such that profits derived therefrom are taxable, and the usual caution should therefore be observed where there is a temptation to enter into transactions which might be held to constitute property dealing.

II. - Surtax and Liquidations

Section 253 of the Income Tax Act, 1952, provides that the income of a company for the period from the end of the last year or other period for which accounts have been made up to the commencement of the winding up shall be deemed to be income of that period available for distribution to the members of the company. The section next provides that as respects that period and the next preceding year, or preceding period or periods ending within that next preceding year, for which accounts have been made up, Section 245 shall apply as if the words 'within a reasonable time' were omitted therefrom.

In Section 245, the words 'within a reasonable time after the end of any year or other period for which accounts are made up' relate to the time within which a company must have made a distribution of a reasonable part of its income in order to be exempted from surtax direction. The qualification seems to deal, rather clumsily, with the fact that the time between the end of the penultimate accounting period and the date of liquidation may be shorter than would normally be regarded as reasonable, whereas in the case of the last accounting period it is non-existent.

A cursory reading of Section 253 seems to imply that the profits of the last and penultimate accounting periods up to the date of liquidation

are automatically directible to surtax. Such a reading, however, is incorrect. The first part of the section merely states that the profits of the final period shall be deemed to be income *available for distribution*, while the second part of the section rather implies that both the final and penultimate periods will come under scrutiny.

Common Practice

This implication does, in fact, represent the common practice, and it is normal for the profits of the final and penultimate periods to be considered by the Special Commissioners in relation to surtax direction, although the inclusion of previous periods in the examination is by no means precluded.

There is, however, no provision that the profits of either the penultimate or the final period shall be automatically directed, and the Special Commissioners cannot be forced to direct those profits to surtax, should they choose not to do so. During the period of the profits tax distribution charge - especially when it was at the rate of 27 per cent - many cases arose where such distribution charge yielded more to the Revenue than the surtax chargeable at the rates applicable to the individual shareholders, and in such cases no surtax direction was made.

New Zealand Society of Accountants' Golden Jubilee

NEXT week the New Zealand Society of Accountants will celebrate its golden jubilee with a convention at Wellington which will be opened by the Prime Minister. It will be attended



Mr Walter Nash
Prime Minister of New Zealand

by some 400 members and their ladies, as well as representatives of kindred bodies from other countries: those from the United Kingdom will be Mr T. A. Hamilton Baynes, M.A., F.C.A., representing The Institute of Chartered Accountants in England and Wales, and Capt. Maurice R. Aries, C.A., representing the Scottish Institute; The Association of Certified and Corporate Accountants will be represented by Mr George Roddick, F.A.C.C.A., A.R.N.Z., of Auckland. The Society's first fifty years have been by no means uneventful and the fact that today it is a well-established and respected body witnesses to the courage, hard work and perseverance of those who brought it into being and, in the face of bitter opposition and criticism, led it on to maturity.

Birth of the Society

By the last decade of the nineteenth century, accountancy had achieved professional status in Great Britain and Ireland, Royal Charters having been granted to the Scottish, English and Irish Institutes, and The Society of Incorporated Accountants and Auditors having been formed, but in a young and growing colony there were many obstacles to recognition. Not until 1907 did Sir Joseph Ward, the then Prime Minister of New Zealand, concede the claims of a joint committee of The Incorporated Institute of Accountants of New Zealand and The Accountants and Auditors Association and agree to sponsor the New Zealand Society of Accountants Bill. This measure, which became law in 1908, may be said to mark the beginning of the Society's life, recognizing it as the controlling body of the profession in New Zealand, restricting the use of the descriptions 'public accountant' and 'registered accountant' to members and giving it disciplinary powers. One thing it failed to do - which was to cause great difficulty later - was to require practical experience in addition to academic qualifications.

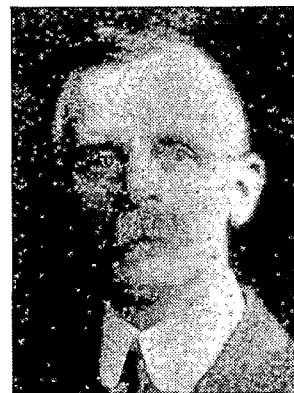
First Admissions

The first question to be answered was 'Who shall be admitted?' A registration board was set up to examine the qualifications of applicants, the requirements being membership of the Incorporated Institute, the Association, or a recognized overseas body, or three years' accounting experience prior to the passing of the Act. An advertisement in the Press produced 2,327 applications and of these no less than 2,116 were allowed. The first Council was then elected and Mr Peter Barr became the first President. A storm of criticism broke out immediately and the President and members of the Council themselves were far from happy at the fact that out of a total population of less than a million so many men should be able to call themselves 'qualified accountants'. But this battle strengthened their determination to build on a surer foundation for the future. Within a year, largely due to the initiative of Mr T. A. Clarke, arrangements were made with the University of New Zealand to conduct the professional examinations on behalf of the Society and to co-ordinate the professional course with the Bachelor of Commerce degree. The close link thus forged still exists and has proved of the utmost value both to the profession and the university.

As time went on, many of the large number of the unqualified men who had joined ceased to be members, and the reduction in numbers meant, in effect, an increase in strength. By 1924 the percentage of members admitted by examination exceeded those who had come in without examination, and today there remain less than 1 per cent who were unexamined.

The Companies Act

As early as 1910, the Council of the Society sought to obtain an amendment of the New Zealand Companies Act by the inclusion of a clause requiring the accounts of registered public companies to be audited by public accountants only. The Prime Minister was sympathetic but the difficulties were many and took a very long time to overcome. It was not until the Companies Act of 1933 that this recognition was accorded and the right to audit the accounts of companies



The late Mr Peter Barr

restricted to members of the Society, giving a new meaning to its duty to control and regulate the profession. This concession was made, however, on condition that it admitted 300 unexamined members of a rival body, which was immediately dissolved. It was a heavy price to pay in view of the efforts the Council had made to raise the Society's standards, and once more violent attacks were made upon it. Time has shown, however, that it was a wise move, enabling the Society to consolidate its position.

The depression from which the world suffered in the late twenties and early thirties came to an end in 1933 and the advent of the Welfare State two years later brought ever-increasing calls for the services of accountants and a rapid growth in the membership of the Society. This was temporarily interrupted by the Second World War but continued afterwards and as the numbers grew the weaknesses of the 1908 Act became more apparent. The Council made determined efforts to secure a revised Act of Incorporation and two years ago it succeeded. The new measure, passed in 1958, requires a practical experience qualification for members, gives greater disciplinary powers, and provides for the increasing delegation of functions to committees.

Future Problems

There are still many problems to be solved, but satisfactory progress has been made towards the solution of some of them. The proposed affiliation of the New Zealand Institute of Cost and Works Accountants, the formation of a New Zealand Computer Society, approval of the appointment of university liaison committees in each university centre, the possibility of establishing chairs of accountancy at the universities, negotiations with overseas organizations, the participation of the Society in overseas conferences, all indicate a live and forward-looking policy.

Very shortly the Society will occupy its own premises, and to have a focal point for the activities of the profession will be an immense advantage. This will be followed by the provision of a first-class research and lending library, and the provision of permanent headquarters for the growing student society movement.

So, with a total membership of nearly 7,000, the Society can set out on its second fifty years with every confidence. Its motto, chosen in 1910, is *Semper et ubique fidelis*, and to the many who steadfastly lived up to it in the early days of struggle, much gratitude is due. Outstanding among them was the first President, Peter Barr, who was previously President of the Incorporated Institute and fought hard and long for Government recognition. It was he who piloted the Society through the first crucial years and insisted with wisdom and foresight that the foundations should be sound and secure. Second to him in influence was Mr W. E. Best, of Christchurch, the only man in the Society's history to be twice elected President, first in 1919-20 and again in 1924-25. He

CONVENTION PROGRAMME

Thursday, March 24th

Theatre party.
Special dinner in honour of Past Presidents and their ladies.

Friday, March 25th

Morning: Official opening by the Prime Minister.

Afternoon: Technical sessions at Victoria University of Wellington: 'Developments and trends in auditing', by G. H. L. Davies, B.COM., F.S.A.A., and 'Modern accounting as an aid to management', by H. W. Martin, F.C.A.I.

Evening: President's reception - Wellington Town Hall.

Saturday, March 26th

Sports.

Wellington Racing Club meeting at Trentham.

Evening: Jubilee dinner at the Horticultural Hall, Lower Hutt.

Sunday, March 27th

Devotional Services.

Scenic drive.

Monday, March 28th

Technical Sessions, Little Theatre, Lower Hutt:

Morning: 'Financial reporting: the accountant's responsibilities', by R. K. Yorston, B.COM., F.C.A.(AUST.).

Afternoon: 'The future of accountancy education in New Zealand', by N. B. Fippard, M.B.E., F.P.A.N.Z.

Evening: Annual Meeting, Little Theatre, Lower Hutt Civic Centre.

Tuesday, March 29th

Morning: Wellington Town Hall: Address by Sir Douglas Copland: 'The place of New Zealand's economy in an expanding world'. (This session will be open to the public.)

Afternoon: Visits to electronic and punched-card installations.

Evening: Jubilee Ball.

Wednesday, March 30th

Morning: Further visits to electronic installations.

Special activities for ladies attending the convention include a visit to Griffin's biscuit factory, a mannequin parade at Skyline, and, if possible, a buffet luncheon on a large overseas liner expected to be in port.

was also the first President to make a comprehensive tour of the branches, the first to advocate national conventions and the first to insist on the need to raise ethical standards. His name is perpetuated by the 'Best Shield', which is competed for annually by debating teams from the Wellington and Christchurch Accountant Students' Societies.

Mr F. W. Harris has an almost unequalled record of service to the Institute, dating back to the First World War. He was President in 1948-49 and his election last year as a life member was enthusiastically supported by the many members he has helped and advised. Mr A. M. Seaman, who was President in 1926-27, is also now a life member. Both as a lecturer in accountancy subjects for many years and afterwards as examiner in auditing he has done much to raise the standard of the examinations. Mr H. E. Strickett, President in 1951-52, is an enthusiast for organized research, was chairman of the Accounting Practice and Procedure Committee for six years and is still keenly interested in its work.

Jubilee President

The Jubilee President, Mr Robert Garth Stark, M.B.E., B.COM., F.P.A.N.Z., has been a member of the Council of the Society since 1949.

Born in Greymouth, Mr Stark was educated in Dunedin and at the University of Otago. He has had a wide and varied accounting career and is now a senior partner in a large firm of public accountants in Invercargill.

Mr Stark had a notable war career. While a flight-lieutenant with No. 75 (N.Z.) Squadron, he crashed in Holland in 1940 and was a prisoner of war for over four years. He was awarded the M.B.E. and Bronze Star (U.S.A.) for senior intelligence and accounting work at Stalags I and III.



Mr R. G. Stark

Long-service Secretaries

The contribution which the secretary of a professional body can make to its well-being is hardly to be over-estimated. It says much for the New Zealand Society that in all its fifty years there have been but four holders of that post. The first secretary, Mr Ernest Hunt, gave outstanding service to the students' society movement, and in 1903 founded the Wellington Accountant Students' Society, of which, after fifty-seven years he is, happily, still patron. Next, Major

Notable Events in the History of the Society

- | | | | |
|------|---|------|---|
| 1894 | Incorporated Institute formed. | 1919 | Major D. G. Johnston appointed Secretary. |
| 1898 | Accountants and Auditors Association formed. | 1922 | First issue of <i>The Accountants' Journal</i> published. |
| 1900 | First joint Australasian examinations conducted. | 1925 | First covention held. |
| 1902 | First woman admitted to Accountants and Auditors Association. | 1933 | Official recognition accorded by Companies Act, 1933. |
| 1905 | Collapse of joint Australasian examinations scheme. | 1946 | Resignation of Major Johnston; Mr J. M. Tocker appointed Secretary. |
| | First Accountants Bill introduced. | 1952 | Premises occupied at 86 Lambton Quay. Accounting Practice and Procedure Committee formed. |
| 1908 | New Zealand Society of Accountants Act passed. | 1953 | Resignation of Mr J. M. Tocker; Mr A. W. Graham appointed Secretary. |
| 1909 | Society formed: Mr Peter Barr and Mr Ernest Hunt first President and Secretary. | 1958 | New Zealand Society of Accountants Act, 1958, passed. |
| 1910 | First general meeting held. | 1960 | Jubilee Convention. |
| 1911 | Examinations conducted by University for the first time. | | |

Donald Gordon Johnston was secretary for twenty-eight years and it was largely due to his work and care that the Society was able to overcome many formidable difficulties and emerge as a first-rate professional organization. When he resigned from office in 1946, he was succeeded by Mr J. M. Tocker, F.P.A.N.Z., who served as secretary until 1953, when he resigned to enter public practice in Christchurch.

The present Secretary is Mr A. W. Graham, B.COM., F.R.A.N.Z., F.C.I.S. Mr Graham served in the Royal



Mr A. W. Graham

New Zealand Air Force during the Second World War as a meteorologist in the Pacific area.

Following the war he became successively cost accountant and head office accountant of the National Electrical and Engineering Co Ltd, New Zealand's largest firm of electrical wholesalers and engineers.

His appointment as Secretary of the Society in 1953 came at the early age of 31 years.

Membership of the Society

	Public Accountants	Registered Accountants	Total
1909 (December)	Unclassified		2,116
1914 (June)	438	1,469	1,907
1919 (June)	450	1,282	1,732
1924	530	1,230	1,760
1929	570	1,254	1,824
1934	750	1,569	2,319
1939	836	2,034	2,870
1944	889	2,395	3,284
1949	1,187	3,270	4,457
1954	1,622	4,154	5,776
1959	1,863	4,859	6,722

TECHNICAL SESSIONS AT JUBILEE CONVENTION

We survey below the papers to be discussed at the technical sessions of the New Zealand Society's Jubilee Convention which opens in Wellington next Friday.

AUDITING: SOME OBSERVATIONS ON DEVELOPMENT AND TRENDS

A paper by Mr G. H. Lloyd Davies, B.COM., F.S.A.A., on 'Auditing: some observations on development and trends', will be discussed at the first technical session of the convention next Friday.

Mr Davies traces the following general trends:

- (1) The abandonment of the idea that the auditor's main purpose is to discover defalcations, in favour of the responsibility to express an opinion concerning the fairness of financial statements, and their compliance with generally accepted accounting principles.



Mr G. H. Lloyd Davies

- (2) A broader attitude in relation to his responsibilities to third parties and to society generally. There does not appear to be any statu-

tory law in New Zealand giving third parties the specific right to claim against an auditor in respect of losses suffered through reliance on accounts certified by him. Under the 1955 Companies Act, however, the auditor is grouped with 'officers' in relation to the avoidance of liabilities for Companies Act duties.

- (3) A closer relationship between the auditor and his clients.
- (4) The need for a higher standard of professional skill.

The following references to particular points of practice in New Zealand are noted.

(a) Post-balance date events.

Directors are charged under the Companies Act with the duty of advising shareholders on the progress of the company and any interpretation of this responsibility would normally be expected to include some reference to significant events occurring after balance date.

The legal responsibility of the auditor appears to be confined to the specific requirements of the Companies Act; but it is recognized as a professional responsibility that where accounts contain figures based on estimates and values which are matters of

opinion then a knowledge of events subsequent to balance date could be applied.

(b) The internal auditor.

The possibility of employing internal auditors and the scope of their work, appear to be still under consideration in New Zealand.

(c) Audit of mechanized accounting systems.

In New Zealand one small computer is in use and some fifteen to twenty concerns employ electronic calculating machines to assist in invoicing, payroll work, and stores and material forecasting. No accounting system is believed to be based on these machines, however.

Mr Davies summarizes the present position in New Zealand as follows:

There has been a substantial advance in the standard of auditing in New Zealand during the past ten years.

The idea of travelling scholarships, first established some twenty-five years ago by The Incorporated Institute of Accountants, was far-sighted.

With the changing relationship between the auditor and his client, the auditor has come to appreciate that his work can be interesting and rewarding. This has stimulated a desire to improve his knowledge.

The speeding up of communications has also contributed to the raising of standards in New Zealand.

The Future

In some ways there is still much to do. The senior members of the profession who are resident in the main centres and employed on auditing work for the larger concerns have, in general, a standard of knowledge and performance in their work that can compare favourably with the best in other countries. It is important that they should accept voluntarily a responsibility to train their employees to a similar standard, as at present there is no fundamental requirement for realistic practical training in auditing before a man is permitted to undertake such work. This appears to be a fundamental weakness in the professional qualifications in New Zealand. There appears to be room for considerable improvement in the standard of auditing in smaller towns.

The proposals before the Council of the Society to provide facilities for practising accountants to meet and discuss their problems on a national level are of the utmost importance.

Mr Davies concludes his paper with a warning about the role of the accountant in the planned Welfare State. The profession has developed from the needs of the business community and rests on the conception of an independent opinion, freely expressed. To allow this to be replaced by service to the State, mandatory in its function, would be a retrograde step which could eventually destroy the profession.

MODERN ACCOUNTING AS AN AID TO MANAGEMENT

In his paper to be discussed at the second technical session on Friday, Mr W. H. Martin, F.C.A.I., states that from the standpoint of business management the functions of audit and taxation advice are not nearly so important as the adaptation and use of accounting for the purpose of guiding and stimulating management action.

Although lip-service has been paid to management accounting, progress in New Zealand tends to be slow.

Some reasons for this are:

(a) On the part of the accountant.

- (1) His training often gives him merely 'book-keeping spectacles'.
- (2) There have not emerged the considerable personal attributes and abilities required to superimpose the responsibilities of management accounting on the basic recording of past financial history.

(b) On the part of the management.

- (1) For the past decade there has been a seller's market, and good profits have concealed the need for greater efficiency.

Higher taxation may have discouraged enterprise.

The inertia arising from these factors may have affected both managers and accountants.

- (2) Only the minority of top managers have been willing to accept the discipline imposed on them by the concept of planning and control.
- (3) Management is not convinced that accounting, properly directed, can earn its keep in terms of operating cost and of executive time and effort.

Good Management and Management Accounting are Interdependent

Not infrequently the right accountants are with the wrong managers and vice versa.

Service is a paramount obligation of any profession, of any individual; but it must be acceptable as well as competent. That is why this paper tries to emphasize attitudes, approach, principles, and last, the need for action now.

So far as techniques are concerned the new examination syllabus of the New Zealand Society of Accountants should foster the interest of the younger accountants towards the field of management services, and no doubt in membership of the New Zealand Institute of Cost Accountants.

Standard costs are an example of the future costs required for almost all executive decisions.



Mr H. W. Martin

Other special purpose costs will distinguish:

- Fixed from variable;
- Short-run from long-run;
- Traceable from joint;
- Out of pocket from book;
- Incremental from sunk;
- Controllable from uncontrollable;
- Replacement from historical.

Actual costs historically derived are true only for the one occasion and for one accounting period—neither of which is likely to recur.

Of budgeting Mr Martin says 'both management and accountant must convey the proper philosophy of the budget plan—that control is not so much restraint and rigidity as a guiding influence or a disciplined effort to follow a plan and to profit from the experience of deviations from it'.

Under cash forecasting, the cash receipts and payments method and the adjusted earnings basis are explained.

For capital projects the 'pay back period' method of appraisal is contrasted with the newer and still little used 'discounted cash flow' method.

The various arguments for and against marginal costing are explained, with the conservative conclusion that it might be desirable to depend on absorption costing, with marginal costing to supplement it.

FINANCIAL REPORTING: THE ACCOUNTANT'S RESPONSIBILITIES

In a paper to be presented on Monday morning by Mr R. K. Yorston, B.COM. F.C.A.(AUST.), it is stated that there is an increasing awareness that the commercial accountant who prepares a financial report for issue,



Mr R. K. Yorston

and the practising accountant who verifies the soundness of such a financial report, are in a fiduciary position (perhaps not always legally; but certainly from the accounting viewpoint) to those who seek to obtain information from the report.

Many views are current as to what is 'profit'; and there are misunderstandings in the minds of the public about the meaning of

financial reports. A responsibility rests on the profession to clarify its own views, and to indoctrinate the general public.

Some companies have very substantial numbers of members (in Australia some companies have 20,000–30,000 shareholders).

Adequate disclosure of the financial affairs of such companies is desirable if the confidence and interest

of this increasing number of members is to be retained. This is important in the periods of capital shortage which arises periodically in a developing economy such as that in Australia and New Zealand. It is doubted whether the disclosure of a company's turnover would benefit competitors. In fact, it would probably stimulate competition to the benefit of the community as a whole.

As the continued life of a company is the prime concern of the directors there is a tendency to equate profits (or their distribution) year by year. There may be an obligation on the profession to query or comment on such a use of disclosed reserves in the same manner that the use of secret reserves was queried some thirty years ago.

Depreciation and Taxation in Published Accounts

Mr Yorston expresses the opinion that the cost of a fixed asset and the amount amortized to revenue should both be disclosed in the financial report. Depreciation on individual assets should be shown. Total depreciation of each asset should be shown as well as the depreciation for the year.

One rarely sees the distinction made between normal depreciation (a provision) and any abnormal amount (a reserve) set aside as depreciation. This may mislead members.

It is suggested that fixed assets should be revalued periodically (say over ten years) and the current value shown as a note on the balance sheet. It is not considered that at the present stage of accounting development the accounting record should be varied by such revaluation.

The taxation provisions in company accounts often appear to bear little relation to the disclosed profit figure. If the financial report is to be 'true and fair', the tax position of the company should be clearly disclosed.

It is suggested that the basis of valuation of stock on hand should be shown clearly in financial reports. The description 'lower of cost or market' is not sufficiently informative without some knowledge of the costing procedure adopted. Mr Yorston considers that auditors should indicate in their report the work they have performed in valuing stocks, and suggests that the time may have arrived when an independent certification should be required for stock-in-trade.

It is considered that post-balance sheet events, where material to the company's operations or financial condition, should be foot-noted to the financial reports.

A half-yearly report to members of companies should be essential.

Because many people interested in company balance sheets are not skilled in accounting techniques, the use of the 'statement of source and application of funds' is increasing in popularity; and Mr Yorston gives ten reproductions of such statements from recent reports of Australian companies.

In some cases the information is presented in the

form of bar charts. A few companies show a funds statement covering several years' operations.

THE FUTURE OF ACCOUNTANCY EDUCATION IN NEW ZEALAND

In the final technical paper to be discussed at the convention Mr N. B. Fippard, M.B.E., F.P.A.N.Z., surveys the future of accountancy education in New Zealand.

At the present time, qualifications for admission into the New Zealand Society of Accountants are:

- (a) The passing of examinations which are conducted on the Society's behalf by the University of New Zealand.
- (b) As from 1959 onwards, five years' practical accountancy experience. In the case of a university graduate this period is reduced to three years.

In 1957 the Council of the New Zealand Society of Accountants approved the formation of a committee



Mr N. B. Fippard

(under the chairmanship of Mr Fippard) to examine all aspects of accountancy education in New Zealand, and to give a lead to future planning. The report of this committee was submitted in August 1959 and was approved by the Council. It has not yet been released, however, mainly because the four colleges previously constituting the University of New Zealand have now become

separate universities with their own administration and the right to grant degrees. The future relations of the Society with these universities needs further consideration, and it is possible that some sections of the Long-term Education Committee's report will need to be revised.

The views now expressed by Mr Fippard are made on his personal responsibility, although they reflect to a great extent the opinions of a strong majority of the members of the committee.

The subjects for the professional examinations are:

Accounting I	Commercial Law I
Accounting II	Commercial Law II
Accounting III	Trustee Law
Auditing	Secretarial Practice
Economics	

With the exception of Trustee Law and Secretarial Practice, the above subjects also form part of the syllabus for the Bachelor of Commerce degree in all the New Zealand universities. The subjects Accounting III and Auditing are dealt with on a joint examining basis, the papers being set by one examiner nominated by the university and one examiner nominated by the Society.

In Economics a student can take either the paper set by his university or the paper set by the Society. In the other four subjects (Accounting I and II, and Commercial Law I and II), the examinations are conducted internally by each university, but the Society can appoint assessors to examine the standard set by the examiners.

Mr Fippard would like the examinations in Accounting III and Auditing to be conducted entirely by the Society. He would discontinue, however, the right of the Society to appoint assessors in Commercial Law and Accounting I.

With regard to Trustee Law and Secretarial Practice, the committee recommended that these subjects should be absorbed into the Commercial Law papers so that students should not be diverted from completing their Bachelor of Commerce degree. It was considered that in view of the practical experience requirements of the Society, only the basic principles of law need to be made the subject of examination. This recommendation has been criticized both because it would reduce the number of subjects in the professional course, and because the Commercial Law subjects might then cover too wide a field of knowledge.

The committee felt there was an obligation upon the Society to provide facilities for further education in specialized or advanced accountancy techniques. In some cases, courses on the lines of 'summer schools' as conducted in the United Kingdom could be instituted.

University Chairs of Accounting

There appears to be hope of progress in the establishment of chairs in accounting in the various universities. This would be in the interests both of the departments of accountancy and of the profession generally.

Because many students follow the examination syllabus of the Society as an educational measure without any intention of becoming members of the Society, compulsory registration of students is not possible in New Zealand. It is considered, however, that a system of voluntary registration would be a means of assisting students and would help to give them the correct professional outlook early in their careers.

The committee did not recommend any change in the educational standard prerequisite for taking the professional examinations. For a candidate over 25 years of age the only requirement is a 50 per cent pass in English at school certificate level.

The practical accountancy experience required of entrants to the Society may be obtained in any field of training. It is considered that in view of the wide scope of accountants' activities nowadays, experience in industry, commerce and public service can often be more valuable than that gained in many public accountancy offices. To the author of the paper it is clear that the English system of articled clerks has no place in New Zealand.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

AUSTRALIA

Institute's New English Members

THE Australian Institute's Supplemental Royal Charter of 1959 made provision for the admission to membership of the Institute of members of the English, Scottish or Irish Institutes. Several such applications have been acceded to in recent months, mainly from members of The Institute of Chartered Accountants in England and Wales, who, though resident in England, are practising in Australia by virtue of their partnership in Australian firms. Among recent admissions to fellowship in this category are Mr H. A. Benson, C.B.E., F.C.A., Sir William Carrington, F.C.A., Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., F.C.A., Mr S. John Pears, F.C.A., and Mr R. M. Peat, M.A., F.C.A.

Investigation into Tax Laws

THE Commonwealth Government has appointed a committee to investigate the Australian income tax laws. The five members of the committee are as follows:

- Sir George Ligertwood (*chairman*), a former judge of the Supreme Court of South Australia;
- Mr F. C. Bock, a member both of the Institute of Chartered Accountants in Australia and the Australian Society of Accountants, in public practice in Sydney;
- Mr D. G. Molesworth, a member of the Australian Institute, practising in Sydney;
- Mr J. A. Neale, a member of the Australian Society, formerly Deputy Commissioner of Taxation in Victoria; he acted as secretary to the Ferguson Royal Commission on Taxation in 1932-36;
- Mr D. V. Lewington, of Sydney, a business man of wide experience in commerce, industry and finance.

The committee's terms of reference are:

"To inquire into the existing Commonwealth income tax laws and their operation, to ascertain any anomalies, inconsistencies, unnecessary complexities and similar defects and to formulate proposals to remedy these and to simplify the laws.

"To inquire into any matters relating to Commonwealth taxation laws (apart from customs and excise duties) that are referred to the committee by the Treasurer.

"To report and make recommendations to the Treasurer on the matters dealt with by the committee.

Unless such an investigation was to be illimitably wide and go on almost indefinitely, it was necessary to define its scope in such a way as would concentrate attention on those aspects of the taxation laws most in need of review; the Government has therefore decided that the committee should initially direct

its attention to the laws relating to the taxation of incomes – both of individuals and companies. Income tax law constitutes by far the largest body of taxation law and undoubtedly offers the widest, and probably the most complex, field for investigation.

However, the terms of reference provide for certain issues relating to sales tax, payroll tax, or estate and gift duty, which might be proper subjects for investigation, to be referred to the committee by the Federal Treasurer from time to time.

EUROPE

The Common Market and the Professions

THE year 1959 saw a series of developments within the Common Market countries tending to facilitate the practice of professions in the six member nations and to encourage professional men to traverse national frontiers. A conference held at Strasbourg was attended by professional men from France and Germany under the auspices of the *Fédération Internationale de Travailleurs Intellectuels* and its French and German counterpart-organizations. Over 120 representatives from those countries took part.

The Common Market protocol in theory permits qualified professional men of one country to practise in each and any of the six member countries. A French doctor can look after a patient in Germany; a German lawyer can give legal consultations in Italy; an Italian accountant can be the auditor of a French company. In order to translate this theoretical freedom into an effective one, however, a great deal of detail planning has to be done. The conference called for further meetings of the same kind between national groups within the Common Market, and passed resolutions defining the term 'profession' and concerning social security and fiscal legislation, which affect professional men differently in the six States. Another resolution drew attention to the tendency for government departments and other official organizations to undertake professional work in competition with private practitioners.

Other indications that Common Market problems are occupying the thoughts of accountants in the countries concerned can be gleaned from a study of European accountancy publications. *Le Trait d'Union Comptable et Fiscal* (Brussels) publishes a monthly feature in which the social security laws of the six Common Market countries are described and compared. *La Revue Belge des Sciences Commerciales* (Brussels) keeps its readers well informed on the Common Market and Free Trade Areas, and has published a special study of the French tax reforms.

SOUTH AFRICA**Budget Introduces New Tax Structure**

DR DONGES, the Minister of Finance, presented his Budget to the South African House of Assembly on March 2nd. Probably the most interesting section of the Budget speech was the announcement that the Minister had decided to grasp the nettle of tax reform and introduce legislation which will change the whole basis of the taxation of individuals in the Union. The new method will facilitate the change-over to decimalization next year since, in the simplified system, the rates of tax are to be expressed as percentages and not in shillings and pence. In addition, the proposed tax structure will ease the difficulties of administering a pay-as-you-earn system if it should be introduced at a later date.

The Minister said that the present method of taxing individuals was very complicated because, apart from other anomalies, there were not only two separate taxes – normal and supertax – but the rate of both taxes varied with each £1 of income. This involved system made it difficult for the taxpayer to calculate his liability and imposed a heavy burden on the staff of the Inland Revenue Department. It had, therefore, been decided to simplify the tax structure with effect from the tax year ending June 30th, 1960. Firstly, a system of block rates for married and unmarried persons will be adopted to combine and replace by a single tax the separate normal and supertax rates and the 15 per cent surcharge. Under the new system, incomes will be divided into fourteen groups. There will be a specified tax for the lowest income in each group and a specified percentage increase for each £1 above the lowest level. For example, in the income group £1,500 – £2,300 for married persons, the rate would be £112 tax plus 9 per cent of each £1 above £1,500.

The second major change will substitute for the present arrangement, whereby dividends are exempted from normal tax and subjected to supertax only (over £2,300), a system whereby a proportion of all dividends received by taxpayers with incomes above a certain level will be subjected to the single tax at the block rates. It was realized that the profits out of which dividends were paid had already suffered tax in the hands of the company and, in the past, relief had been given by exempting such dividends from normal tax. In future, this relief would be extended and, in the case of taxpayers with yearly incomes above £2,300, one-third of all dividends would be free of tax. For taxpayers with incomes below £2,300 a year and who had not hitherto paid any tax on dividend incomes, it was proposed that more than one third of such income would be relieved from tax on a sliding scale, so that all dividends would be free of tax where the taxpayer's total income did not exceed £1,300.

The revenue for the 1960–61 year, on the existing basis of taxation, was estimated at £350.4 million, or £2.5 million more than the revised estimate for the current year. Expenditure was estimated at £324.8

million, so that there would be an estimated surplus of £25.5 million. The Minister proposed to give the public tax relief amounting to some £17 million in the 1960 tax year. In addition, he promised £1.9 million to social pensioners, £1 million for the promotion of research in the tobacco and wine growing industries and £1 million to the South African Native Trust Fund. The tax concessions announced – £6.9 million for 1960–61 and £8.3 million for the full year thereafter – will benefit all tax-paying income groups, whilst the decision not to reintroduce the loan levy for the current year (thereby forgoing some £10 million in tax) is generally welcome. (The loan or 'savings levy' was introduced for the 1957, 1958 and 1959 tax years and increased the tax of individuals by approximately 10 per cent and of companies by 6d in the £1; this was then repayable after five years, plus simple interest at 4½ per cent per annum free of income tax). The ordinary taxpayer is to receive a 5 per cent discount in tax this year and benefits from higher allowances for children and dependants. The industrialist is to receive substantial concessions to stimulate capital re-investment – added to the normal wear and tear allowance on plant and equipment and a 20 per cent initial allowance, he is now given a 15 per cent investment allowance on new expenditure. Expenditure on new factory buildings and new improvements will entitle a 10 per cent investment allowance to be deducted in addition to the 2 per cent wear and tear allowance introduced last year.

The total benefits bestowed on the public by the Budget amount to almost £21 million and the Minister said that the prime objective was to stimulate expansion with a view to providing employment for the growing population.

UNITED STATES**The Steel Strike and Inflation in Accounts**

MR J. S. SEIDMAN, C.P.A., President of the American Institute of Certified Public Accountants, pressed by reporters in connection with the recent steel strike, gave his opinion that when inflation is significant, corporate managements should issue two financial statements; one based on historical cost and the other adjusted to show the effects of inflation on earnings and the financial position. He considered that the effects of inflation on every aspect of the financial statements should be reflected – bank balances, long-term liabilities, lease commitments, etc. The two sets of statements, side by side, would then show what was due to 'managing' and what to Government fiscal factors. The C.P.A.'s opinion would apply to the historical statement, while the price level statement would be more in the competence of the economist. In contrast to the latter point it may be noted that, early in the 1950s, a committee financed by the American Institute and the Rockefeller Foundation recommended that the supplementary price level statements should also be covered by an opinion of the professional accountant.

Weekly Notes

The Scottish Institute and the Budget

THE Council of The Institute of Chartered Accountants of Scotland has submitted its suggestions to the Chancellor on next month's Budget; as usual these suggestions eschew pleas for overall reductions or increases in tax, as they do party politics. In the forefront is a suggestion for the setting up of an expert body to reconsider the income tax anti-avoidance provisions, as recommended by the Royal Commission. The Council reiterates its suggestion that this body should include two chartered accountants, one a member of the Scottish Institute.

The Council adds the weight of its support for the move to abolish Schedule A tax, and to tax rents under Schedule D. It also calls for exemption of tax on dividends received by an overseas trade corporation from a non-resident subsidiary out of the profits of that subsidiary. Now that child allowance operates for surtax it has become increasingly important, and sometimes the whole allowance is lost because the child has income in its own right just over the permitted maximum. The Scottish Institute suggests the introduction of 'tapering' provisions for avoiding the hardship thus caused. Like many others the Institute asks for depreciation allowances on commercial buildings; it also asks for an extension of the relief for contributions towards general educational projects. In the estate duty field a plea is made for codification following a general review by a Royal Commission.

The Radcliffe Evidence

WHATEVER may be the differing assessments of the Radcliffe Committee's report on the working of the monetary system, there can be only one opinion on the work that the preparation of this report entailed. Some measure of the Committee's labours can be derived from a scrutiny of the evidence which has now been published by H.M. Stationery Office (price £13 10s.) This consists of four large volumes, three of which contain the principal written memoranda of evidence while the fourth contains the minutes of the oral evidence—over 13,000 questions and answers. These 1,800 foolscap pages in double column type will provide reading for both the supporters and critics of the Radcliffe Committee's recommendations for a long time to come.

Inevitably the main interest will centre upon the evidence submitted by the Bank of England and the Treasury, in particular any light that it sheds upon

the relations between these two bodies. On this point Lord Bridges could not foresee a situation in which the Bank of England could remain autonomous, while Mr Thorneycroft considered that the Bank was more independent than a reading of the 1946 Act might lead one to suppose. Mr Dalton agreed that in all important matters the Bank must be dependent upon the Chancellor's decision, although he conceded that the latter's policy would be much influenced by the Bank's own views. The Bank's policy of aloofness was criticized among others by Mr W. F. Crick, but it is not without interest that Mr Thomas Balogh felt that the previous attitude of aloofness seemed distinctly preferable to the new practice whereby frequent and popular public pronouncements of policy were made by the Governor of the Bank of England. There are similar conflicting and contrasting statements from independent witnesses on the value of monetary policy and the relations between the Bank and the clearing banks. In the light of a preliminary survey of this evidence, it is indeed remarkable that the Radcliffe Committee should have achieved unanimity.

Higher Taxes

SPEAKING to members of the southern region of the British Institute of Management last week, on 'The background to the Budget', Mr Manning Dacey, economic adviser to Lloyds Bank, suggested that some increase in taxation to produce a couple of hundred millions of additional revenue was needed. As the economy approaches full employment so the need to restrain inflationary pressures becomes increasingly urgent. The growth in consumer expenditure on durable consumer goods, a substantial part of which is financed by hire-purchase, is particularly important in this respect. Yet the most compelling reason for added taxation, according to Mr Dacey, is the sharp deterioration in the balance of payments that has taken place during the past year. Whereas a surplus of some £400 million was needed to meet the Commonwealth's needs for capital and to increase our reserves, the surplus in the first nine months of 1959 was only £166 million. This compares with £311 million in the corresponding period of 1958. Furthermore, the preliminary figures for the last quarter suggest that the country is now running a deficit, despite the rise in exports and the relative stability of import prices.

Unless it is covered by taxation, rising Government expenditure will prove to be inflationary. Estimates for the coming financial year indicate that expenditure will be 8 per cent higher than in the current year. Mr Dacey commented on the fact that these outlays rose only 2 per cent in 1958-59, due 'no doubt to Mr Thorneycroft's gallant stand'. Even with a likely budget deficit of £400 million overall for 1959-60 in place of the forecast £721 million (which with supplementaries has since risen by a further £100 million) Mr Dacey does not expect

revenue during the coming year to be sufficiently buoyant to offset the growth in expenditure. Higher taxation now, he asserted, would 'achieve a Budget which would go far to establishing confidence regarding future price stability and a revival of faith in gilt-edged securities, paving the way for reductions in taxation at a later stage'.

Proceedings against Accountants Fail

AFTER a forty-one-day hearing, Mr Justice Glyn-Jones on Monday dismissed consolidated actions brought by Mr Harold William Auten, of Eton Lodge, Eton Avenue, London, NW. In the second of the two actions Mr Auten claimed damages against Messrs Baker Todman & Co, Chartered Accountants, of Canada House, Norfolk Street, London, and against Mr Peter Jones, one of their employees, for conspiracy to cheat and injure him and for breach of duty as his accountants. Liability was denied by all the defendants.

His lordship said, according to *The Times* of March 15th, 1960, that it was only right in a case of such length to reserve his judgment, but the defendants had been put to a great deal of expense and anxiety and it would be seriously unkind to prolong matters. He had formed the clear and definite view that the plaintiff had failed to establish a cause of action against any of the defendants. He would deliver his judgment later, on a day which would suit the convenience of everyone concerned.

Buying Out a Minority

SECTION 209 of the Companies Act, 1948, provides that where a company wishing to buy shares in another company obtains the agreement of holders of 90 per cent of those shares it may compulsorily acquire the shares of the 10 per cent dissenting minority. The section confers no rights on individuals to acquire shares. Suppose the individual holders of 90 per cent of the shares, wishing to acquire compulsorily the remaining 10 per cent, set up a company for the purpose of operating Section 209? This device was tried in the case of *Bugle Press Ltd* and *Houses and Estates Ltd*, but was rejected by Mr Justice Buckley (*The Financial Times*, March 11th, 1960).

Mr Henry Charles Treby, accountant, of Royal Exchange Buildings, High Holborn, held 10 per cent of the shares in the two companies mentioned. Messrs George Douglas Shaw and Henry Robert Jackson held the remaining 90 per cent. A company called Jackson and Shaw (Holdings) Ltd made an offer for the shares which Messrs Jackson and Shaw accepted. Mr Treby made application to the Court to order that Section 209 be not applied. He refused an offer of £10,000 for his shares and disagreed with a valuation of £100,000 for Bugle Press made by Messrs Price Waterhouse & Co, criticizing the basis upon which it was made.

Mr Justice Buckley held that this was a case in

which, under Section 209, the Court ought to hold that Mr Treby be not compelled to sell his shares at the £10,000 offered. He also ordered Mr Treby's costs to be paid by the other party.

Irish Dividend Strip Fails

THE anti-dividend-stripping legislation contained in Section 4 (2) of the Finance (No. 2) Act, 1955, was aimed principally at cases where a charity acquired shares which were swollen with undeclared dividends, and then proceeded to cause the dividends to be paid and to claim repayment of the income tax notionally deducted. However, the subsection is not specifically confined to charities, it uses the words 'a person entitled under any enactment to an exemption from income tax which extends to dividends on shares'. In *C.I.R. v. Collico Dealings Ltd* and *C.I.R. v. Lucbor Dealings Ltd*, the question arose whether these words hit a person resident in the Republic of Ireland and not resident in the United Kingdom, who as such is entitled to exemption from United Kingdom tax, pursuant to a treaty with the Republic. The Special Commissioners allowed the companies' claim to repayment, on the grounds that they were not affected by Section 4 (2). Mr Justice Vaisey reversed this decision¹ and the companies appealed to the Court of Appeal. This Court has now rejected the appeal, but has given the companies leave to appeal to the House of Lords (*The Times*, March 11th, 1960).

The Master of the Rolls, giving judgment, said that the decision involved no breach of international agreement. Lord Justice Harman said the section was designed to prevent an abuse and there was no reason why that which was prohibited for United Kingdom residents could still be perpetrated by Eire residents.

Irish Trade

THE *Trade Statistics of Ireland* for the year 1959, issued by the Central Statistics Office, Dublin, bring out the difficulty which Ireland is experiencing in expanding exports. In fact, after a significant rise from £108.1 million in 1956 to £131.3 million in 1957, a figure which was maintained in 1958, total exports including re-exports, fell to £129.7 million in 1959. Imports in 1959 rose to the record level of £212.5 million and the import excess thus rose from £67.7 million in 1958 to £82.8 million in 1959, in spite of an improvement in the terms of trade which is estimated to have reduced the import excess by £6.8 million.

The most hopeful feature of the returns is the diversification of exports which has been achieved in the last few years. In 1957 live animals accounted for £54.3 million or 41 per cent of total exports; food, drink and tobacco for £40 million or 30 per cent; and other raw materials and manufactured goods for £26.1 million or 20 per cent, the balance being

¹ *The Accountant*, August 22nd, 1959.

accounted for by re-exports, parcel post and temporary transactions. By 1959, these percentages had become 30 per cent, 34 per cent and 27 per cent, showing a markedly reduced dependence on exports of live animals. The fall in exports of live animals has not, however, been fully offset by increased exports of food, drink and tobacco, though there has been an increase in exports of fresh, chilled and frozen beef. The steady diversification of the Irish economy is, however, brought out by the fact that in the last ten years, exports of other raw materials and manufactured goods have approximately trebled.

Most categories of imports showed an increase in 1959, but the largest rise, from £121.9 million to £134 million, occurred in 'Materials for further production'. Imports of producers' capital goods ready for use rose from £23 million to £24.3 million and of consumption goods ready for use from £44 million to £45 million. The rise in the category 'Materials for further production' was accounted for mainly by crude petroleum, unmilled cereals, non-ferrous ores and metals and unrefined sugar and cocoa.

The overall balance of payments of the Republic of Ireland is heavily dependent on remittances from overseas and receipts from tourists, but it is doubtful whether increases in these items can be relied on to offset the steady rise in the import excess.

Irish P.A.Y.E. Guide

THE new system of deducting income tax from salaries and wages in the Republic of Ireland (a modification of the British P.A.Y.E. system) is to come into force next October and already the Irish Government have published a very useful *Employee's Guide to the New System of Deducting Income Tax from Salaries and Wages*¹, prepared by the Irish Revenue Commissioners. This body has performed its task very creditably; the language employed is simple and direct, most of the information is given by question and answer, and there are copious examples, including a specimen tax deduction card with specimen entries. There is a useful and easily readable index, and the whole guide is printed in English.

Safeguarding the Investor

A PRIVATE member's Bill to amend the Companies Act, 1948, and dealing with the control of the solicitation of money from the public was published last week. The intention of the sponsors is to offer the investor, especially the small investor, certain safeguards. The Bill is coming before the House of Commons for its second reading on March 18th. It is already known that its scope has been reduced by the appointment of the Jenkins Committee last December to inquire into company law.

The main clause of the new Bill, which is called the Companies Act, 1948 (Amendment) Bill, aims to

provide that any person issuing or causing to be issued an invitation to the public to lend money to, or with, a company without having delivered to the Registrar of Companies for registration within the preceding twelve months a statement relating to the affairs of this company, will be guilty of an offence and liable to a fine of £500. The statement required would be in the form and containing the particulars set out in Part One of the Third Schedule to the Companies Act, 1948.

Offices Bill through Committee

LAST week a Standing Committee of the House of Commons completed its consideration of the Offices Bill. This has been a private member's Bill and after its consideration by the committee its main purposes are left unimpaired although the form of the Bill has been considerably altered.

Under its provisions the Home Secretary is empowered to make regulations for the provision of lavatories and washing facilities; of suitable lighting, heating, ventilation and cleanliness; of drinking water, first aid equipment and efficient fire escape facilities. Enforcement of the Bill when it is enacted is put with the local authorities except in offices and factories which the Government intend to be the responsibility of the factory inspector. An abstract of regulations will have to be posted in a prominent place in every office. Under clause 8 of the Bill, anyone inspecting premises under the Act who discloses information obtained by him with regard to the trade or business of the occupier, will be liable to a fine on summary conviction of £100 or three months' imprisonment—unless such disclosure is made in performance of his duty.

The Bill is due to come into operation on January 1st, 1962, and the regulations made under it will be effected from dates fixed in them.

Accountant's Office at His Home

THE refusal by the London County Council of planning permission to change the ground floor and basement of an accountant's home into an office has given rise to proceedings against them for £400 damages. At Southwark County Court on Monday, Mr Ancrum Francis Evans, T.D., F.C.A., of Eccleston Square, SW, submitted that the Council had failed to comply with the provisions of Section 14 of the Town and Country Planning Act, 1947; that they had failed to make known to him their consultations on the subject with other bodies. Counsel for the L.C.C. argued that the Court had no jurisdiction to award damages in such a case; the correct remedy was by appeal to the Minister. After remarking (according to *The Times* of March 14th) that if Mr Evans was right a good many planning applications must have been wrongly conducted, Judge B. S. Wingate-Saul reserved his decision.

It is interesting to note in the January issue of *The Chartered Accountant in Australia* that the Council of

¹ The Stationery Office, Dublin. Obtainable from Government Publications Sales Office, G.P.O. Arcade, Dublin. 4d.

the Institute in that country is always concerned that members in public practice should maintain an office accessible to the public for the purpose of their professional work, and it cites clause 29 (ii) of the Royal Charter where a 'public accountant' is defined as being 'a person who maintains . . . an office for

the business of general accounting and auditing'. The journal goes on to add that, except for reasons of incapacity, the Australian Institute does not regard a member's home as a suitable place in which to practise or maintain an office. The English Institute, of course, does not make any stipulations of this kind.

This is My Life . . .

by An Industrious Accountant

CHAPTER 16

WE have a keen young cost accountant – going hard for his Intermediate examination in the I.C.W.A. – whose ruling passions are mathematical precision and figures that balance. He has a slide-rule like a telescope which he works with amazing speed, and which is fast giving his colleagues an inferiority complex, as no one else in the office can use one; also because he waits till someone has laboriously worked out a problem in long-hand and then proves that the second decimal place is wrong with a quick glance and flick of his 'stick'.

Unfortunately, he never gets around to considering human nature. This failing can normally only be cured by passage of time or by bitter experience, but as I want to promote him to more senior responsibility quickly, I must mature him by ordeal by fire!

He turned his attention to our canteen recently, and came in with a detailed report on the last quarter's working. He was commencing to explain, when the directors arrived in my room *en masse*. They only posed a minor problem about retiral by rotation at next month's annual general meeting, and then the chairman said indulgently that they'd like to hear the report.

It was clearly Costs' chance to sell himself in a big way and he took it with both hands. Eyes gleaming behind heavy horn rims, black lock of hair down over his forehead, face white and tense, he broke the bad news bluntly: the liquor account failed most lamentably to balance.

Now, we have a system in the senior canteen by which our executives pour their own drinks, sign a chit, and pay the score weekly. Much is obviously left to the consumer's integrity. Conscious of having once seen the deputy chairman, a most un-abstemious type, sign for three small 'White Horses' for himself and his guests and thereafter finish the bottle with an absent-minded expression, I felt that the ice was thin. I tried to murmur Talleyrand's historic warning to Costs: *Pas trop de zèle*, but he didn't get it. Either his French or my accent was faulty.

With some indignation, he outlined the obvious reasons for the shortage and recommended as the logical solution the introduction of official graduated

measures for all drinks and, possibly, a counter-signature of the chit by a senior executive. I thought I felt the ice crack and winced in anticipation of the directors' reaction. What, in fact, happened came as a shock to both of us.

The directors received the report with the utmost enjoyment. The deputy chairman chuckled hugely and told the story of his destroyer's mess-room off Alexandria in '43, when a check revealed that the cherished gin bottles – his responsibility – contained only pure H₂O. The managing director smiled dreamily, remarked *Et ego in Arcadia vixi* (I like a man with an apt classic tag) and recounted how his R.E. comrades in Burma used to organize ingenious power breakdowns in order to loot the canteen. I saw Costs' eyes bulge. The chairman told a quite irrelevant story of how his squadron was cut off near Mons in '14, and drained every bottle in the cellar before sallying forth to certain death. Nearly certain, that is. Hussars, Uhlans, chateaux, lances down across the cornfields . . . it sounded like King Henry's men remembering St Crispin's Day.

Then they all came back with a start to 1960 and reality, and briskly instructed me to implement the first recommendation at once. They congratulated Costs also, but somehow he looked rather dazed. I fear his views on directors' ethics have suffered a shock.

* * * * *

My signed notice in the canteen was received with some extremely scathing remarks. I ducked, merely blaming the discrepancy, and the office manager, a fanatical teetotaller, made himself unpopular by ill-timed jibes at the complainants. At that stage someone dropped the new measure, accidentally of course, and in the stampede to recover it someone stood on it (equally accidentally) and flattened it beyond redemption. Costs, however, merely beckoned the waitress who promptly opened the cupboard and produced a box with the remaining five measures. Full marks to foresight.

We have since consumed drinks measured with precision, but I fear that the accounts won't balance next time either. Some disgruntled characters have plugged in a false bottom to one of the measures, and they see that poor Costs gets it whenever he drinks. He'll have a surplus next time he takes stock.

* * * * *

My problem: will I be human and remove the phoney measure, or be cruel to be kind and leave Costs to plumb, by bitter experience, the depravity of human nature?

Finance and Commerce

Reserve Views

FOR the first time for many years, the directors of J. Samuel White & Co, shipbuilders and engineers of Cowes, Isle of Wight, have not made any appropriations of undistributed profits to specific reserves.

There was ample scope for such allocations with profit after tax, up from £118,962 to £180,521; but the profit undistributed has been left to go forward in profit and loss account on which the balance is up from £109,692 to £219,191.

Sir James Milne, the chairman, points out that 'the current trend of professional opinion is that where revenue reserves are retentions of distributable profits available for general use in the business, and none of them is created in accordance with statutory requirements or in pursuance of any obligation, the sub-division of such reserves under a variety of headings is unnecessary'. The board is to consider consolidating the total revenue reserve at a later date.

Many readers may remember the reserves for this, that and the other that used to add bulk to the liabilities side of balance sheets. Appropriation accounts transferred retained profits to various reserve headings, the 'mystique' of the correct administration of reserves being emphasized by inter-reserve transfers.

We now live in a more practical age, and some companies even leave retained profits in the profit and loss account.

Woolworth Millions

THIS week's reprint features the accounts of F. W. Woolworth & Co Ltd for 1959 – the company's 'Golden Jubilee' year – and it goes without saying that it was another year of continued expansion. The number of stores – which in 1958 passed the 1,000 mark to 1,012 – rose to 1,028, and this expansion, following the Woolworth tradition, was accomplished out of earnings. In fact, the whole of the company's development during its first fifty years in business has been achieved without borrowing.

Development, however, has not merely been just a matter of opening another sixteen Woolworth shops. Since the war, there has been a general modernization programme and in the year under review, thirty-four stores were extended and/or modernized and eight moved to new premises. There remain only 200 stores still to be dealt with.

Mr R. J. Berridge, the chairman, reminds shareholders that it was not until the close of 1954 that building licences were finally abolished. In the five years since then, expenditure on freehold and leasehold properties, fixtures, furniture and equipment has amounted to the formidable figure of £35 million, all provided out of the company's funds. A

further £25 million of expenditure is programmed for the next three to four years and, says Mr Berridge, much will still remain to be done at the end of that time.

Different in America

It may not be generally realized that the company is also expanding overseas. There are six shops in the West Indian Federation, and in the jubilee year a very handsome store building was opened in Salisbury, Southern Rhodesia.

Mr Berridge points to the profit figures which 'indeed advanced solidly – in fact, to a golden level', the result, he says, 'of turnover climbing to a new record by a wide margin'. That, however, is all he does have to say on the subject of turnover. It seems to be another Woolworth tradition, in Britain at least, not to give turnover figures. It is different in America where company reporting has not been constrained by the national character; there Woolworths make no secret of their turnover as may be seen from the following extract from the American company's 1958 accounts:

F. W. WOOLWORTH CO. and Canadian Subsidiary

CONSOLIDATED STATEMENT of
INCOME and EARNED SURPLUS
For the Years Ended December 31, 1958 and 1957

	1958	1957
Sales	\$864,570,642	\$823,895,128
Dividends received, net of foreign taxes withheld:		
F. W. Woolworth & Co., Limited, England	11,498,047	11,421,251
F. W. Woolworth Co., G.m.b.H., Germany	627,339	253,625
Income from real estate, interest and miscellaneous income	2,283,303	2,131,889
	<u>878,979,331</u>	<u>837,701,893</u>
Cost of sales and expenses, exclusive of items below	803,102,830	757,833,380
Depreciation and amortization (Note C)	22,394,092	19,183,446
Interest	4,315,631	3,548,852
Cost of terminating long-term leases	465,458	278,079
Provision for U.S.A., Canadian and Cuban taxes on income (Note C)	19,325,000	23,500,000
	<u>846,603,011</u>	<u>834,343,757</u>
Net income	32,376,320	33,358,136
Earned surplus – balance January 1	253,652,154	244,553,526
	<u>286,028,474</u>	<u>277,911,662</u>
Dividends paid – \$2.50 per share	24,259,525	24,259,508
Earned surplus – balance December 31	<u>\$261,768,949</u>	<u>\$253,652,154</u>

On turnover, Mr Berridge makes the interesting observation that 'the improvement in business was fairly uniform throughout the year, except during the wonderful summer months which were such a tonic to all of us. It was natural for the public to shop as expeditiously as possible during those months, particularly when the temperature was in the 80s'.

Basically, of course, the business is simple: cash trade over the counter; prompt payment of accounts.

Consolidated Balance Sheet 31st December, 1959

(The Assets and Liabilities of Subsidiary Companies are included as at 30th June, 1959)

	1959	1958
	£	£
CAPITAL AUTHORISED AND ISSUED		
F. W. WOOLWORTH AND CO., LIMITED.		
5,000,000 £ units of 6 per cent. Cumulative Preference Stock	5,000,000	5,000,000
135,000,000 Ss. units of Ordinary Stock	33,750,000	33,750,000
	<u>38,750,000</u>	<u>38,750,000</u>
CAPITAL RESERVE	8,081,474	8,081,474
REVENUE RESERVES.		
General Reserve	11,250,000	9,250,000
Profit and Loss Account Balance after proposed Appropriations	<u>9,584,425</u>	<u>7,451,756</u>
	<u>20,834,425</u>	<u>16,701,756</u>
Future Taxation:		
United Kingdom Income Tax (Schedule D) for year ending 5th April, 1961, payable on 1st January, 1961	10,700,000	
Reserve for equalising Capital Allowances	<u>530,000</u>	<u>11,230,000</u>
		10,700,000
PROVISION.		
Staff Pension and Benevolent Fund	582,749	568,382
For movements of Reserves and Provision see notes on page [353].		
NET CURRENT ASSETS	<u>£79,478,648</u>	<u>£74,801,612</u>
NET CURRENT LIABILITIES	<u>£79,478,648</u>	<u>£74,801,612</u>
NET ASSETS		
NET ASSETS	<u>£79,478,648</u>	<u>£74,801,612</u>

F. W. WOOLWORTH AND CO., LIMITED AND SUBSIDIARY COMPANIES
Consolidated Profit and Loss and Appropriation Account for the year ended 31st December, 1959
(The Profits of Subsidiary Companies are included for the year ended 30th June, 1959)

	1959 £	1958 £
Depreciation of Freehold and Leasehold Properties	746,127	700,956
Depreciation of Fixtures, Furniture and Equipment	885,384	728,691
Emoluments of Directors of Parent Company:—		
Remuneration for services and contributions paid by the Company under approved Pension and Life Assurance Schemes	266,425	243,373
Pensions and Life Assurance Premiums in respect of retired Directors	2,621	2,545
Net Profit before Taxation	28,283,712	25,597,085
	<u>£30,184,269</u>	<u>£27,272,650</u>
Taxation based on Profits of the year:—		
Income Tax	10,873,216	10,902,340
Profits Tax	2,800,000	2,600,000
Overseas Taxation	76,750	59,500
Reserve for equalising Capital Allowances	530,000	—
	<u>14,279,966</u>	<u>13,561,840</u>
	<u>14,003,746</u>	<u>12,035,245</u>
Net Profit carried down	<u>£28,283,712</u>	<u>£25,597,085</u>
Special Golden Jubilee Cash Bonus of 4d. per 5s. unit of Ordinary Stock, less Income Tax at 7s. 9d. in the pound (Non-recurring)	1,378,125	—
Preliminary and Organisation Expenses of Subsidiary Companies	—	1,712
Amount added to Staff Pension and Benevolent Fund	75,000	50,000
Proposed Appropriation to General Reserve	2,000,000	2,000,000
Dividends, less Income Tax at 7s. 9d. in the pound:—		
Paid:—		
On 6 per cent. Cumulative Preference Stock	183,750	172,500
On Ordinary Stock:—		
Interim Dividend of 8d. per 5s. unit	2,756,250	2,587,500
Proposed to be paid on 5th March, 1960:—		
Final Dividend on Ordinary Stock of 1s. 7d. per 5s. unit	2,940,000	2,760,000
	<u>6,546,094</u>	<u>5,175,000</u>
	<u>9,486,094</u>	<u>7,935,000</u>
Balance carried forward:—		
Parent Company	9,484,255	7,438,067
Subsidiary Companies	100,170	13,689
	<u>9,584,425</u>	<u>7,451,756</u>
	<u>£22,523,644</u>	<u>£17,438,468</u>
Trading Profit after charging Rents in respect of Companies' Investment in Freehold and Leasehold Properties	26,571,547	23,586,872
Rents charged against Trading Profit as above and Rents Receivable Interest on Investments, Tax Reserve Certificates, Treasury Bills and Bank Deposits and Profit realised on Sale of Investments	3,297,535	3,182,291
	<u>315,187</u>	<u>503,487</u>
Net Profit before Taxation	28,283,712	25,597,085
	<u>£30,184,269</u>	<u>£27,272,650</u>
Net Profit brought down	14,003,746	12,035,245
Provision for Depreciation of Investments, no longer required	63,867	255,962
Over-provision for Taxation in previous year (see note 2 on page 353)	1,004,275	73,743
Balance brought forward from last Account:—		
Parent Company	7,438,067	4,993,588
Subsidiary Companies	13,689	79,930
	<u>7,451,756</u>	<u>5,073,518</u>
	<u>£22,523,644</u>	<u>£17,438,468</u>

It is not entirely surprising, therefore, that the company is one of those to be commended for the speed of publication of its annual figures, the preliminary profit and dividend being announced within three weeks of accounting date and the full accounts presented within six weeks. But will there ever be a United Kingdom Woolworth half-yearly or quarterly statement?

F. W. WOOLWORTH AND CO., LIMITED AND SUBSIDIARY COMPANIES

Notes to be read as part of the Accounts for the year ended
31st December, 1959

	1959 £	1958 £
(1) GENERAL RESERVE		
Balance at 1st January	9,250,000	7,250,000
Add Proposed appropriation for the year	2,000,000	2,000,000
Balance at 31st December	<u>£11,250,000</u>	<u>£9,250,000</u>

(2) FUTURE TAXATION

The amount of £10,700,000 reserved at 31st December, 1958, for United Kingdom Income Tax (Schedule D) for the year ending 5th April, 1960, was calculated at the rate of 8s. 6d. in the pound. The standard rate of Income Tax for this year was subsequently fixed at 7s. 9d. in the pound and the actual liability transferred to Current Taxation amounted to £9,703,878. The balance of the reserve, £996,122, together with other taxation adjustments, £8,153, a total of £1,004,275, has been credited in the Consolidated Profit and Loss and Appropriation Account.

(3) PROVISION

Staff Pension and Benevolent Fund

Balance at 1st January	568,382	568,531
Deduct Payments during the year ..	<u>60,633</u>	<u>50,149</u>
	507,749	518,382
Amount added to the Fund	<u>75,000</u>	<u>50,000</u>
Balance at 31st December	<u>£582,749</u>	<u>£568,382</u>

(4) CAPITAL COMMITMENTS

The estimated amounts of outstanding commitments for capital expenditure not included in the accounts are:—

Parent Company	£3,750,000	£3,350,000
Group	<u>£4,057,000</u>	<u>£3,650,000</u>

(5) FREEHOLD AND LEASEHOLD PROPERTIES

The Freehold and Leasehold Properties of the Company are included at the Directors' valuation as at 1st January, 1957, with subsequent additions at cost. The Freehold and Leasehold Properties of the Subsidiary Companies are included in the Consolidated Balance Sheet at cost.

(6) SUBSIDIARY COMPANIES

(Statements pursuant to paragraph 15 of the Eighth Schedule to the Companies Act, 1948)

The financial years of the Subsidiary Companies which are dealt with in the Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Company, ended on 30th June, 1959. The Directors of the Company consider that if the financial years of these Overseas Companies were altered to correspond with that of the Company, it would occasion delay in the presentation of Consolidated Accounts to Members of the Company.

The Consolidated Balance Sheet and Consolidated Profit and Loss Account do not deal with the remaining Subsidiaries, since to do so would in the opinion of the Directors be of no real value to the Members of the Company in view of the insignificant amounts involved.

R. J. BERRIDGE }
W. J. TURNER } Directors

CITY NOTES

THE setback in the stock-markets since the New Year peak is now tempting some new buying in the industrial equity market despite Budget uncertainties. The new buying movement, however, is selective and tentative and institutional operators are still prepared to wait for the Budget.

It is now popular to talk in terms of a market revival in the late spring and early summer and that certainly appears a possibility as a more realistic pitch of equity prices has been established. In the longer-term outlook 'inflation versus deflation' is still a topic of considerable discussion. The inflationists point to record Government peace-time spending, the implications of higher rail costs, of rising wages and excessive consumer demand. The deflationists refer to the prospective tailing-off in home consumer demand after two years of 'spree buying', to excess capacity which persists in some industrial spheres, and to the over-supply of commodities and raw materials generally.

For the present, the view of the vast majority of investors is still that equities are right to buy and hold, and that the gilt-edged market should be shunned like the plague. It will take more than a cautious and theoretical long-term view to shake that belief.

RATES AND PRICES

Closing prices, Wednesday, March 16th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Jan. 8	£3 14s 11·06d%	Feb. 12	£4 10s 11·30d%
Jan. 15	£3 15s 7·79d%	Feb. 19	£4 10s 10·65d%
Jan. 22	£4 11s 1·19d%	Feb. 26	£4 11s 1·07d%
Jan. 29	£4 10s 9·18d%	Mar. 4	£4 10s 9·34d%
Feb. 5	£4 10s 10·88d%	Mar. 11	£4 11s 8·32d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-½	Frankfurt	11·70½-½
Montreal	2·66½-½	Milan	1743½-½
Amsterdam	10·58½-½	Oslo	20·03½-½
Brussels	139·97½-½	Paris	13·77½-½
Copenhagen	19·34½-½	Zürich	12·17½-½

Gilt-edged

Consols 2½%	47	Funding 4% 60-90	91½
Consols 4%	70½	Savings 2½% 64-67	83½
War Loan 3½%	62½	Savings 3% 55-65	90½
Conversion 3½%	61½	Savings 3% 60-70	79½
Conversion 3½% 1969	85½	Savings 3% 65-75	73½
Exchequer 5½% 1966	101	Treasury 2½%	45½
Funding 3% 66-68	82½	Treasury 3½% 77-80	76½
Funding 3% 59-69	81½	Treasury 3½% 79-81	75
Funding 3½% 99-04	68½	Victory 4%	94½

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

In re Boulton

In the Court of Appeal – January 22nd, 1960
(Before the MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice WILLMER and Lord Justice UPJOHN)

Estate duty – Will trust – Life interest – Capital in three shares subject to survivorship – Assignment of life interest to contingent reversioner – Estate duty claimed on portion of trust fund – Incidence of duty – Finance Act, 1894, Sections 1, 9.

The testator settled a trust fund on trust to pay the income to one of his sisters for life, and (as happened) on her having no issue, to his other sister for life and then to her issue. Subject to those trusts the trust fund was to go in equal shares for such of three cousins of the testator as should be living at the death of the last surviving sister or on the failure of that sister's issue; and the issue of the cousins were to take *per stirpes*. The three cousins predeceased the sisters and all left issue.

In 1950, the second sister assigned her reversionary interest, subject to the reservation of £3,000 a year for herself, in favour of the same persons as would have been entitled to it if she had died. In 1951, the first sister assigned one-third of her life interest to the child of one of the deceased cousins, to the intent that the life interest should merge in his reversionary interest. On the death of this sister estate duty was claimed on two-thirds of the trust fund. The trustee took out a summons to determine whether the duty should be payable exclusively out of the two-thirds or was payable rateably out of the whole trust fund.

Held: assuming that the duty had been rightly levied on the two-thirds the duty fell to be payable by the two-thirds only.

Bidwell v. Gardiner

In the High Court of Justice (Chancery Division) –
February 12th, 1960

(Before Mr Justice DANCKWERTS)

Income tax – Publican – Take-over of hotel – Replacement of furnishings – Whether expenditure deductible – Income Tax Act, 1918, Schedule D, Cases I and II, Rule 11 – Finance Act, 1926, Section 32 – Income Tax Act, 1952, Section 145 – Finance Act, 1953, Section 19.

The appellant, on October 15th, 1953, succeeded to the trade of licensee of a hotel, and he paid to the outgoing tenant £1,134 6s 10d as the value of trade fittings and trading stock taken over. During his first year of trading, the appellant spent £168 14s 3d in replacement of furnishings in the hotel, and, during the second year of trading, expended £61 11s 10d for the same purpose. The latter sum was admitted to be an allowable deduction. No part of either of these

sums was spent on furnishing accommodation occupied by the appellant and his family. If they had been incurred by the previous licensee, both items would have been allowable deductions.

It was contended for the appellant that the £168 14s 3d was an allowable deduction, in that the appellant carried on the same business as his predecessor. The General Commissioners decided that the £168 14s 3d was not deductible, because it contained an element of capital expenditure.

Held: in view of Section 19 of the Finance Act, 1953, the appellant had in law set up a new trade, and the £168 14s 3d was not deductible.

McLaren v. Needham

In the High Court of Justice (Chancery Division)
February 17th, 1960

(Before Mr Justice DANCKWERTS)

Income tax – Petrol station – Agreement with petrol company – Contribution towards cost of re-decoration – Contribution towards cost of advertisements – Contribution towards cost of canopy, garage office and lighting – Whether income or capital receipts – Income Tax Act, 1952, Schedule D, Case I.

The respondent carried on the business of running two repair and filling stations. He made an agreement with the Shell Petroleum Co Ltd (Shell) whereby Shell paid to him (1) a contribution towards the cost of the re-decoration in Shell's standard colours, (2) a contribution towards the cost of Shell advertisements. In addition Shell paid to the respondent the sum of £1,063 5s 2d representing the cost of a new canopy at the service station, the erection of a garage office, and the installation of lighting to the new canopy. The order for the erection of the canopy was placed with the builder by the respondent, and the architect's certificate was sent by him to Shell, and Shell sent its cheque for payment therefor. The procedure concerning the garage office and lighting of the new canopy was the same. The cheques were probably made out by Shell in favour of the respondent, and passed by him to the tradesmen concerned. Each item of expenditure was approved by Shell before being incurred by the respondent.

All three of the above-mentioned items were included in the assessment on the respondent under Case I, Schedule D. The General Commissioners decided that they were all capital receipts in the hands of the respondent. In the appeal to the High Court it was conceded that the first two items were taxable receipts.

Held: the £1,063 5s 2d was a capital receipt and was, therefore, not taxable on the respondent.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

University Graduates

SIR, — In your issue of April 18th, 1959, you kindly published a letter from me referring to the increase in the number of inquiries received at the Institute from graduates of United Kingdom universities wishing to enter into articles. In the last three years there has been a very satisfactory increase in the number of graduates entering articles and there are signs that this development will continue. Many inquiries have already been received this year for vacancies after graduation in 1960. A few relating to the provinces have been received but the great majority are anxious to undertake their article service in the London area.

Members of the Institute who are likely to have vacancies for graduates from July 1960 are invited to write to me in order that an introduction may be given.

Yours faithfully,

ALAN S. MacIVER, *Secretary*,
The Institute of Chartered Accountants
in England and Wales.

Moorgate Place, London, EC2.

Salaries and Fees in the Profession

SIR, — I have been most dismayed by the recent correspondence on this subject. I cannot help feeling that some of your correspondents are really seeking a Government-sponsored 'closed shop' which would guarantee the living standards of those within.

I am convinced that if the small practitioner is to overcome the dual problem of unqualified competition and inadequate fees, he must be able to offer his clients a higher level of service than is at present customary. By this I mean that he must be able to do more than prepare accounts for tax purposes; he must also consider it his duty to advise his clients on all kinds of business and personal problems. How many small practitioners make a point of knowing their clients personally and of attempting to look ahead on their behalf? The small farmer may want to purchase a new tractor or a new house but how often will his accountant be ready to advise him on the best means of financing his purchase? In cases like this, the accountant's advice is very welcome and if it is not requested it may be because the client thought that his accountant either should not, would not, or could not advise him on such a matter.

My own experience, which has included both incomplete records and consultancy has convinced me that clients appreciate, and are willing to pay for, real service. Any practitioner whose clients do not

automatically turn to him for advice on matters on which his experience and knowledge would be of value, should consider whether his qualification alone entitles him to satisfactory fees.

Yours faithfully,

London, SE3.

IAN HANCOCK.

SIR, — I have read the recent letters in *The Accountant* with great interest and agree especially with Mr E. G. Little in your issue of March 5th, 1960.

The reason I and many other chartered accountants opposed the integration scheme was because we appreciated that this would bring registration and the elimination of the quack no nearer. Events have proved how correct we were, and we lost the little extra prestige which attached to us as chartered accountants.

A profession which can no longer offer reasonable emoluments will fail to continue to attract recruits of the requisite standards. This is nowhere more painfully obvious than in our profession, especially in the provinces.

As rewards are linked with fees, and in the provinces the quacks depress fees, salaries are grossly inadequate, likewise the principals' rewards. One day the Institute may be convinced of this simple reasoning but not until it ceases to be run for the benefit of the large London firms.

Yours faithfully,

ROBERT BARLOW, V.R.D., F.C.A.(1951).
London, W1.

Office Mechanization

SIR, — Alas, Mr R. G. N. Price (February 20th issue) has fallen into the trap of assuming that to be efficient a mechanized system must necessarily provide more information than the manual system it replaces.

Obviously it must provide the data necessary for efficient management. But what is necessary? This is the question that gets to the root of the problem and the *real* efficiency achieved by the system is usually proportional to the effectiveness with which this question is answered.

The concept of 'management by exception', which is rapidly gaining favour in this country, is one ideally suited to fast machines. All the routine updating of records is achieved (rather than provided) without compiling detailed and lengthy reports giving a history of *everything* that has happened.

In a firm where the credit-worthiness of customers is of some importance, control by exception is achieved by noting customers who do not make their payments regularly rather than by preparing voluminous statistics about those that do. A large firm operating this method would, I feel, stand a very reasonable chance of growing even larger.

Being critical of office mechanization on the basis of assumptions is not enough; one must make definite criticism!

Yours faithfully,

JOHN TRANTER, A.C.A., A.C.W.A.
Croydon, Surrey.

RECRUITMENT AND TRAINING

President speaks 'with deliberation' at Birmingham

The recruitment and training of 'young people of high calibre' as future chartered accountants formed the subject for some straight speaking by Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of the Birmingham and District Society of Chartered Accountants on March 10th.

Replying to the toast of the Institute, Mr Peat said: "The professions and the Services appear to have almost totally lost their attraction from the angle of belonging to a community or serving the nation. There are, of course, the exceptional young people who say quite definitely they are going into the Church or the Army or accountancy; but industry and science have made the paths of entry so smooth and attractive, that through their tough apprenticeship the old professions have lost their appeal. I don't think it is due to materialism or the determination that "I am going to have it as good as I possibly can", but to a sense of insecurity and a certain disintegration in the unity, common purpose and standards of the professions themselves. In that a profession serves the public, its structure must change with the kind of demands made upon it.

"As chartered accountants, we are trying to recruit and train young people of high calibre, because we can see that in ten to fifteen years' time the services demanded of chartered accountants will be more specialized and more technical than they are at present."

The System of Articles

The period of articled clerkship was a hard one, declared Mr Peat, and demanded both practical and theoretical training and a considerable sacrifice of the student's own time, which might otherwise be used for recreation; and he continued:

"I believe that the toughness of our training is a good thing, but at the moment we are saddled with a system which has seen little change for the last fifty years, except that premiums are now charged only in very exceptional cases. The system of clerkship we are trying to operate has become increasingly uneven in many respects and salaries and other conditions of employment appear now to vary widely as between one principal and another.

"Of the 2,680 clerks who entered into articles in 1959, two-thirds were articled in firms having from one to four partners and within that range of firms the "spread", both in London and the provinces, is fairly even over the four sizes of firm. At the other end of the scale less than 9 per cent were articled in firms having ten or more partners. This must all result in wide differences in the kind of practical experience which the articled clerks receive."

Mr Peat said that the conclusion he drew from these figures was that there was a tremendous responsibility resting upon the small firms to ensure suitable and adequate training for articled clerks if the chartered accountants of the future were to be worthy of the name. Hitherto, the Council of the Institute had always regarded the relationship of principal and clerk as essential; but it had to be admitted that at the present time, too many principals did not seem to maintain that close interest which should be the basis on which articles were entered into.

"*Ex officio* as President," said Mr Peat, "I am a member of the Education and Training Committee, which is making a thorough study of the whole problem. As an individual I

am much impressed by arguments that the Council, through the district societies, must sooner or later try and establish something like a recognized pattern for the salaries, practical experience, study leave, etc., for articled clerks, at least in the districts. I appreciate that principals must have reasonable freedom in these matters, but, if that freedom is such that there is no clear and commendable pattern for the arrangements between principal and articled clerk, I believe that our whole system of recruitment, training and education will gradually fail."

The same applied to the theoretical side of the articled clerk's training. While he did not think the Institute could or should make itself directly responsible for the theoretical instruction of articled clerks, it could not escape a general responsibility for the nature and quality of the facilities available. The President concluded:

"I have spoken on this matter with deliberation, because I have been able to discuss the position with students in every district society I have visited so far. This problem is at the root of our Institute's future development and demands in full measure the attention which the Parker Committee is giving to it."

Proposing the toast, Mr Eric M. Clayson, F.C.A., chairman and joint managing director of the Birmingham Post and Mail Ltd, said that professional standards were the sheet-anchor of Britain's commercial life. There had obviously been changes in the accountancy profession since he was an articled clerk and when seniors collected their 300 guineas premium. He went on:

"This vast spread of the profession which we have witnessed over a wide field of industry and commerce, together with the complexity of modern commercial life, must not weaken our professional traditions.

"Professional standards are still of the greatest importance to all of us, whether we practice, whether we are engaged in the profession in industry, or whether we merely try to run industry ourselves, and they are the great sheet-anchor of commercial life."

Rising Prosperity

The first toast of the evening, that of 'The City of Birmingham', was proposed by Mr Stephen Burman, C.B.E., M.A., Pro-Chancellor of Birmingham University and a well-known Birmingham industrialist.

It was interesting that Birmingham had shown such distinct signs of prosperity for so long, said Mr Burman. If a Birmingham man's particular trade had shown signs of disappearing he had sized up the situation very quickly, found out what else the world wanted to buy and started to make it.

Replying to the toast, the Lord Mayor, Alderman J. H. Lewis, O.B.E., J.P., spoke of the growth of the number of accountants in the city from early times until at present there were 1,000 chartered accountants in the city itself. The city was the first to acknowledge that it had been made great by the people who had come into it. They had come into it not only from the British Isles but from throughout the world, including refugees, who had brought with them many skills.

Accountancy had made great strides since the early systems were instituted in 1130 - in the time of Henry I

— by the then Exchequers of England and Scotland. The accountant first made his mark as an adviser and a dealer in figures but in the post-war years, particularly, he had entered into business, commerce, banking and the whole ramifications of commercial life.

The toast of 'Our Guests' was proposed by the

President of the Society, Mr W. F. Tidswell, F.C.A., who paid tribute to the work of Mr C. J. Mason, F.C.A., secretary of the Society, and Mr G. S. Major, T.D., B.COM., F.C.A., the dinner secretary.

Mr D. H. Buchanan, Agent of the Bank of England in Birmingham, responded.

NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS' BIENNIAL DINNER

The biennial dinner of The Nottingham Society of Chartered Accountants was held at The Sherwood Rooms, Nottingham, on March 9th, with Mr A. B. Inger, F.C.A., President of the Society, in the chair. About 350 members and guests attended and among those present were Councillor John Kenyon, J.P., Lord Mayor of Nottingham; Dr F. Russell Barry, The Rt. Rev. the Lord Bishop of Southwell; His Honour Judge A. J. Flint; Alderman S. P. Hill, Sheriff of Nottingham; Mr C. U. Peat, M.C., M.A., F.C.A., President, The Institute of Chartered Accountants in England and Wales; Prof. H. R. Pitt, B.A., PH.D., F.R.S., Deputy Vice-Chancellor, University of Nottingham; Prof. F. A. Wells, O.B.E., B.SC.(ECON.), PH.D., Head of the Department of Industrial Economics, University of Nottingham; and Mr K. R. Imeson, M.A., Headmaster, Nottingham High School.

Phenomenal Growth

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by His Honour Judge Abraham Flint, County Court Judge on the Nottingham circuit, who referred to the integration of the Institute and Society. He continued:

'I have read the Institute's last annual report and recognize how big you have grown with 31,000 members....'

'It is almost eighty years since the Institute was incorporated by Royal Charter, and in those eighty years the growth of your profession has been really phenomenal.'

'You have extended your learning. No man of business or property can carry on without you and as a lawyer I experience some pangs of jealousy.'

'You have taken unto yourselves a special branch of the law in which you advise your clients, not without financial benefits yourself. I often hear little business men say "It was my accountant who advised me". I must confess that I have heard that in the bankruptcy court,' he added, amid laughter.

He went on, 'The future of the learned professions and the professional honour and that lively sense of corporate responsibility that is yours are of great consequence. Today the informed citizen recognizes that those who have the right to put the letters "F.C.A." or "A.C.A." after their name have the right sense of professional honour fostered for eighty years under a Royal Charter.'

Replying to the toast, Mr C. U. Peat said that the integration of which Judge Flint had spoken had been a tremendous success. He added that Judge Flint was a little behind the times 'as at the present time we number 33,000'.

Continuing he said:

'It has been my ambition during my year of office as President to get a picture of the general structure of our profession.'

'In this period of reappraisal and planning it must surely be necessary to know as much as we can about the main classifications of our Institute. It is interesting to note that the majority of our members are engaged partially or wholly on the accounts and taxation of small traders and farmers, this important group is also responsible for training two-thirds of our articled clerks. The middle section of our members is found in medium-sized firms from four to ten partners in size, these firms represent the long established core of the profession, often family partnerships, with excellent relations with their articled clerks for whom their kind of practices offer good training facilities. Finally we come to the big national and international firms, who are often regarded with a certain amount of suspicion by their colleagues, but who, like them, are providing a service which is demanded by national and international trade and industry. These firms are responsible for training about 10 per cent of our articled clerks.'

'Let me once more underline the fact that the structure of our profession is closely related to the form of the trading community we serve.'

'In this connection the trends of industrial development appear to be towards greater and greater concentration, with an unceasing threat to the small trader and business man, a state of affairs which I believe to be against the interests of a considerable section of our profession and in the long run prejudicial to the national economy and morale as a whole.'

Mr Peat concluded by saying how much he had enjoyed meeting the members of the Students' Society that afternoon.

The toast of 'The Guests' was proposed in a most entertaining way by Mr J. W. Mee, J.P., F.C.A., and the reply was by the Bishop of Southwell, Dr F. Russell Barry.

A brief but sincere vote of thanks to the chairman was proposed by Mr P. F. Granger, F.C.A., a member of the Council of the Institute.

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REVALUATION OF ASSETS

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

November 1959 Examinations, Presentation of Prizes

On Wednesday, March 2nd, 1960, the President (Mr C. U. Peat, M.C., M.A., F.C.A.) formally presented prizes and certificates of merit to the successful candidates in the November 1959 examination who were able to attend. Relatives and friends of prize-winners were invited to the ceremony which was held in the Oak Hall at Moorgate Place and was followed by tea.

In the course of his address, the President said:

Ladies and gentlemen, this is the first occasion on which we have had this ceremony in the Oak Hall – this is the Oak Hall of our Institute. Previously we used to have the prize-winners before the Council at one of our Council meetings and just gave them their prizes in that way, but we thought it would be much better if we could get some of their friends to come along – and I am very delighted to see so many of their fathers and mothers here today.

May I say how glad I am to see that amongst your number there are at least two overseas students who are prize-winners, I give them a warm welcome.

My first duty and great pleasure is to welcome you to the Institute and to say – and I cannot repeat this too often – that your parents and friends do more than any of us to help these young people to achieve success and I thank you very deeply for what you have done.

Now I must congratulate the prize-winners. There is one lady amongst them and two overseas students, and in the course of congratulating them I would like just to repeat what my partner and my great friend, Sir Harold Howitt, said some months ago. He was address-

ing his old school and he was telling the boys – I cannot give you his exact words but the purport was this – 'We talk an awful lot about capital for this purpose and capital for that purpose, but', he said, 'you younger fellows ought to understand that a man's or woman's capital is not always in his or her bank, but more often in his or her head.' And that is an enormously important thing. You young people have started to accumulate your capital in your heads. The Intermediate prize-winners – they are off to a good start. The finalists – they have finished with this business of examinations.

You finalists, and eventually you Intermediate prize-winners, will become members of the Institute and as President of the Institute I want to tell you how welcome you will be and I want to ask you this – that you will maintain your interest in the Institute.

You are the sort of people who should in time provide leadership and that is good in a democracy, where it is often difficult to find people who will take responsibility.

Now, ladies and gentlemen, I have tried to impress upon you that we as a family at the Institute require your interest and your co-operation. Before I sit down, I have one more thing to say. We are delighted that so many of you are able to be here. I congratulate the prize-winners again. An articled clerk's life is not an easy one and working for the examinations with the distinction you have achieved involves a considerable amount of unselfish concentration and the giving up of a lot of spare time. (*Applause.*)

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Deferment of National Service

Arising from the decision of the Government that no man undertaking training for membership of the Institute will be called up for National Service if deferment has been granted until a date after May 31st, 1960, the Institute has asked the Ministry of Labour about the position of candidates who have been granted deferment to present themselves for the Institute's Final examination in May 1960. The Ministry's reply reads:

'Since candidates for the May 1960 (Institute Final) examination will have been allowed deferment to sit that examination and since the examination does not finish until June 3rd, 1960, it follows that the men sitting this examination will not be called up.'

The position of a candidate granted deferment to make a second attempt at the Final examination of the Society in May 1960 remains unchanged. Deferment will not have been granted beyond May 31st, 1960, and the candidate will therefore be available for call up whether he passes or is unsuccessful.

PROFESSIONAL NOTICES

MESSRS SINCLAIR, DE MESQUITA & Co, Chartered Accountants, of 118 Old Broad Street, London EC2 announce that they have taken into partnership Mr LEOPOLD DAVIS, A.C.A.

Mr JOHN C. FLAY, O.B.E., F.C.A., practising under the style of JOHN FLAY & Co, announces that, as from June 1st, 1959, Mr BRYAN K. WEDGE, A.C.A., who has been associated with the firm for over ten years, has been admitted to partnership, the style of the firm remaining unchanged. It is also announced that, as from February 29th, 1960, the offices of the firm have been removed to 8 Bridge Street, Worcester.

Appointments

Mr K. C. Pearce, F.C.A., and Mr W. M. Morison, F.C.A., have been appointed directors of North Hummock (Selangor) Rubber Co Ltd.

Mr E. C. Uren, F.C.A., has been appointed chairman of Laing Lex Ltd and Mr D. W. Turner, A.C.A., has been appointed a director of the company.

Mr R. F. Mead, F.C.A., has been appointed comptroller of F. Perkins Ltd, and Mr P. Brealey, B.Sc. (ECON.), A.C.A., formerly assistant chief accountant, has been appointed chief accountant.

Mr H. Maynard, F.C.A., has been appointed a director of Frederick Hotels Ltd.

Mr L. B. Beynon, A.C.A., has been appointed secretary-accountant of The Rhondda Transport Co Ltd.

Mr N. D. Mathie, C.A., has been appointed secretary of Johnson & Phillips Ltd, in succession to Mr A. B. Adam, F.C.A., who has retired.

Mr F. A. Lewis, A.C.A., has been appointed manager of Birmingham Industrial Trust Ltd.

Mr R. M. Morshead, T.D., C.A., has been appointed a director of F. S. Stowell Ltd.

Mr Douglas Archbold, A.C.A., has been appointed secretary of James Grant and Co (West) Ltd, in succession to Mr Stanley Thomson, A.A.C.C.A., who has been appointed a director of the company.

UNEMPLOYMENT BENEFIT: SPARE-TIME WORK

The Minister of Pensions and National Insurance has asked the National Insurance Advisory Committee to consider and report on draft regulations¹ to amend the subsidiary occupations rule for unemployment benefit and credits. This is the rule that enables a claimant to do spare-time work without loss of benefit or credits.

One of the conditions which has to be satisfied under the present rule is that the subsidiary occupation must be 'different in nature from' the full-time employment for which the claimant is available. Recent decisions by the National Insurance Commissioner have made it clear that to satisfy this condition there must be a bigger difference between the subsidiary occupation and the full-time employment than was originally intended. The object of the new regulations is to secure that the kind of work a claimant does in his subsidiary occupation will only prevent payment of unemployment benefit or grant of credits when it is work for an employer in the claimant's usual main occupation. The other conditions of the subsidiary occupations rule are not affected by the new regulations.

The committee will consider representations on the draft regulations received by them before April 5th. Representations should be made in writing to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London, WC2.

¹ National Insurance (Unemployment and Sickness Benefit) Amendment Regulations, 1960, and National Insurance (Contributions) Amendment Regulations, 1960. H.M.S.O. Price 3d each.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held in the Oak Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London, EC2, at 4 p.m. on Wednesday, March 30th.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Discussion Group

The next meeting of the Manchester Chartered Accountants' Discussion Group will be held at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, at 5.45 for 6 p.m. on Monday, March 28th. The subject for discussion will be 'Accounting for a new industry'.

New members are welcomed and further information may be obtained from the Group Hon. Secretary, Mr J. G. Shepherd, F.C.A., at the above address.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings will be held during next week:

Monday, 6 p.m., at the Institute, Moorgate Place, EC2: Lecture on 'Accounting in America', by Prof. W. T. Baxter, B.COM., C.A. (Professor of Accounting, University of London).

Tuesday: Visit to Ford Motor Works (limited number).

Wednesday, 5.30 p.m., at the Institute: Lecture and demonstration of Lamson Paragon accounting systems.

Thursday, 5.15 p.m., at the Institute: Introductory course lectures on (1) 'Audit practice and methods', by Mr W. K. Wells, B.A., F.C.A.; and (2) 'The law of sale of goods', by Mr A. C. Staples.

Saturday, 10.30 a.m., at Luton: Lecture on 'Auditor's liability', by Mr R. J. Carter, B.COM., F.C.A., followed by the annual general meeting of the Bedfordshire Branch.

MIDLAND MANAGEMENT CONFERENCE

'To what extent can British management influence the life of the community in the United Kingdom?' and 'What is the role of management in a modern industrial society?' are among questions which will form the background theme to the Midland Management Conference to be held in Leamington Spa from March 31st to April 1st.

The conference, which has been organized by the British Institute of Management, will be opened by Lord Percy, chairman of the Industrial and Commercial Finance Corporation Ltd, who will deliver an address on 'The responsibilities of industry to society'. Sessions will include: 'Industry must do better', by Mr A. H. Frampton, joint managing director of Hawker Siddeley Industries Ltd, and 'Communication within

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and without industry', by Mr John Humble, of Urwick, Orr & Partners. The closing address, 'The role of management in the Commonwealth', will be given by the Right Hon. the Earl of Verulam, chairman of the British Institute of Management.

Further details of the conference may be obtained from the Conference Secretary, British Institute of Management, 80 Fetter Lane, London, EC4.

NORTHERN MANAGEMENT CONFERENCE

'The problem of growth' will be the subject of this year's Northern Management Conference to be held in Southport from April 21st to 22nd. Organized by the British Institute of Management, the conference has been designed to explore both in discussions and papers the problems which arise with the growth of success in business and whether the practices and techniques which have brought about the growth in a company are sufficient to maintain and increase its growth.

Among the papers to be presented are 'Financing for expansion', by Mr G. M. D. Drummond, F.C.A., northern area manager of the Northern Industrial Finance Corporation Ltd, 'Management control', by Mr V. W. Oubridge, chairman and managing director of the British Piston Ring Co, and 'Decision making', by Mr J. A. Cochran, deputy chairman and managing director of James A. Jobling & Co Ltd. The conference will conclude with an address on 'The changing framework of management', by Mr W. H. McFadzean, C.A., President of the Federation of British Industries.

Further details may be obtained from the British Institute of Management, 80 Fetter Lane, London, EC4.

OFFICE MANAGEMENT ASSOCIATION One-day Conference in London

A one-day conference sponsored by the London Branch of the Office Management Association is to be held on Wednesday, March 30th, at the Connaught Rooms, London, WC2.

'Communications' will be the theme of the conference and the Postmaster-General, who is attending as the guest of honour, will examine present and future developments of the Post Office service. At the morning session Mr A. C. Leyton, B.A., LL.B., Barrister-at-Law, will give an address on the theoretical side of communications, and Mr J. E. Wall, O.B.E., a director of Electric and Musical Industries Ltd, will speak on communications as seen from the directorial level of a large organization. At the afternoon session, Mr G. E. D. King, communications manager of Shell-Mex & BP Ltd, will talk about the practical problems of office communications.

During the conference there will be a working exhibition by some eighteen leading manufacturers of document and office equipment. Further details may be obtained from the Conference Secretary, Mr J. C. Durnin, F.C.A., Messrs Clark, Battams & Co, 32 Victoria St, London, SW1.

THE NEXT PHASE IN OFFICE MANAGEMENT

A three-day conference for accountants, office executives and company secretaries on 'The next phase in office management' is to be held at the Connaught Rooms, WC2, from March 22nd to 24th, by the Industrial Welfare Society. The purpose of the conference is to obtain a better appreciation in deciding priorities by executives, such as work simplification, staff selection, the working environment and promotion policies.

Among the speakers will be Mr J. H. Rowley, assistant controller, staff administrator, B.B.C.; Mr Michael D. H. Ross, work study officer, Harrods Ltd; and Dr O. McGirr, industrial medical officer, British Overseas Airways Corporation. Delegates will lunch together each day and on the last day of the conference will join the Society's 'New thinking' luncheon, at which the Minister of Labour, The Rt. Hon. Edward Heath, will give a talk on 'Industrial relations - the next five years'.

Further particulars regarding the conference are obtainable from the Industrial Welfare Society, Robert Hyde House, 48 Bryanston Square, London, W1.

INVESTMENT CLUB MOVEMENT IN THE U.S.A.

Between June 1957 and November 1959 the number of American investment clubs increased from 8,100 to 20,100, and membership rose from 121,000 to 277,000. These figures, given in a recent New York Stock Exchange survey, show how popular the movement has become in the United States, particularly so among women. The average monthly investment made by each club amounted to \$208 and the total investment figure has risen from \$54 million to \$160 million over the period. New York has the majority of clubs, although the main cities and towns throughout the continent are well represented; there are also thirty-six clubs in Canada.

By comparison, the movement in the United Kingdom is very small but is fast becoming popular. We stated in our issue of last week that the total number of clubs affiliated to the National Association of Investment Clubs was 138 and since then we understand that this figure has increased by a further twenty - proof indeed of the rapid growth.

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Valuing Work in Progress

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THE decision of the Court of Appeal in *Duple Motor Bodies Ltd v. Ostone*, on the vexed topic of valuing work in progress for the purpose of arriving at taxable profit will have been received with considerable satisfaction in the accountancy and business worlds. The decision also constitutes a sharp reminder that when Commissioners, general or special, hear an appeal against an assessment on profits they are not concerned to lay down general principles but are simply there to decide what, in the particular case before them, the profits are; due regard being paid to the evidence accepted by them and to the law. The case is also a sad commentary on the delays to which a dispute with the Inland Revenue can lead. One of the assessments appealed against was for the year 1951-52, and as the Inland Revenue have intimated that they may seek leave to appeal to the House of Lords a whole decade may have passed between the making of the assessment and its final determination.

The facts in the case are simple enough, at least before the Inland Revenue began to delve into the complexities of what the value of the work in progress on the cost basis would be if their desire to include something for overheads were acceded to. Duple Motor Bodies Ltd carried on a manufacturing business consisting of building motor bodies, chiefly coaches, to order for the persons owning the chassis. It followed that very few completed bodies were on hand at the end of any particular accounting period. Ever since 1924 the company or its predecessor in business had valued work in progress on the direct cost method, i.e. by bringing in the cost of materials and of the direct labour expended on those materials but not bringing in anything for overheads. The Inland Revenue had apparently accepted this method without question until the tax year 1951-52, when they raised the contention that something should be added for overheads, i.e. that an 'on-cost' method should be applied. The company appealed to the Special Commissioners against assessments on its profits for the years 1951-52 to 1953-54, inclusive, in estimated amounts.

It appears from the case stated that the Special Commissioners were asked in the first instance to decide as a broad matter of principle whether the direct cost method or the on-cost method was to be applied in ascertaining the cost of work in progress for the purpose of Case I computations, and on this basis they were asked to consider the accounts for the year ended March 31st, 1951, as an example. The Court of Appeal has now pointed out that all that could be decided in the

appeal was the computation of the profits of the particular company for the particular years in dispute.

The Special Commissioners accepted evidence that both methods of valuing work in progress are recognized by the accountancy profession as correct accountancy; that there is no cleavage of opinion in the profession as a whole in the sense that the advocates of one method consider the other method wrong or unsound. On the other hand a minority, including the chairman of the company who is also a chartered accountant, consider the on-cost method definitely unsound. The Special Commissioners further found as a fact that up to fairly recently (the appeal hearing took place in July 1956) the weight of accountancy opinion was in favour of the on-cost method, but now the trend in the profession is slightly away from this method. The Special Commissioners went on to find as a fact that the question of which method should be used 'is very much a matter of policy for the decision of the directors'. Rather surprisingly the Special Commissioners decided on these facts, and as a matter of principle, that the company's appeal against the use of the on-cost method failed. They held that in their opinion the on-cost method came nearer to reality and therefore ought to be applied for tax purposes, and they decided therefore that a proportion of 'factory overheads' should be added, although they did not define 'factory overheads', and they left the figures to be agreed.

Perhaps not surprisingly the parties could not agree the profit on this vague basis and complex and detailed figures were then put before the Special Commissioners who arrived at decisions on the various items. The company appealed both against the decision in principle and against the inclusion of certain items; the Inland Revenue appealed against the exclusion of certain items. It is perhaps worthy of mention that one of the items deemed proper to be included in the cost was 'idle-time' wages, i.e. wages paid to workmen when owing to hold-ups they were not in fact producing anything. One would have thought that this was as clear an expense as anything could be, and that to recredit something for it in the accounts would be to fly in the face of reality.

In the event, the nice problems of what should, and should not be included in respect of 'factory overheads' did not need to be decided for both

Courts have now held on the facts that the company was perfectly entitled to continue to apply the direct cost method and that in the face of the company's decision the Inland Revenue had no right to challenge a Case I computation merely because it was based on that decision. LORD EVERSHED, delivering the first judgment in the Court of Appeal, said that if the Court had to approve the on-cost method as a broad general principle, that would leave open the problem of the correct items to be taken into account. However, he was not to be taken from that as approving the direct cost method as a matter of general principle.

His lordship went on to point out that the on-cost method in this case showed an increase in profit, whereas the other evidence (e.g. the fall in work) showed that the profit had in fact fallen; the increase in the sum for work in progress was due to a slacking off in work. The direct cost method had been accepted for many years and there had been no relevant change in circumstances. Therefore it was for the Crown to show why now the on-cost method should be adopted. They had not done so and therefore the Commissioners' decision was wrong in law and the Crown's appeal should be dismissed with costs.

LORD JUSTICE HARMAN, concurring, said that the case was a good illustration of the fact that an English lawsuit was not a debate or a moot, but a decision on particular facts. The Court was affirming the decision of MR JUSTICE VASEY but for different reasons. (MR JUSTICE VASEY had held that the Special Commissioners were bound by their own findings.) The Inland Revenue were refused leave to appeal to the House of Lords but it is open to them to ask for such leave of the House of Lords itself.

In the present case the company has throughout conceded that cost of work in progress should be brought in. If they had not done so, and the case went to the House of Lords, it is interesting to speculate whether that body would have applied its own decision in *Sharkey v. Wernher*¹ in relation to goods taken from stock, i.e. that only the market value was the correct figure. The market for half-finished coach bodies must be a somewhat limited one, and the market value a long way below even the cost of materials.

¹ 34 A.T.C. 263.

The Scottish Institute's Year

THE Institute of Chartered Accountants of Scotland, to judge by its Council's 1959 report just issued, had an unexceptional year. The numerical strength of the Institute's various committees, standing, special and local, was maintained although some old ones disappeared and some new ones were called into being. Evidence was submitted to the appropriate quarters on law reform, the penalty provisions of the Income Tax Acts and matters which (the Council thought) should be dealt with in the 1959 Finance Bill. A meeting with the Law Society of Scotland to discuss the future of the account of charge and discharge was arranged. These and other activities may not seem very exciting to the casual reader but they do demonstrate the considerable amount of voluntary work which is done for the Institute by a comparative handful of its members.

At December 31st, 1959, the total membership of the Institute was 6,599, an increase of 127 over the year. Indentures registered in 1959 numbered 323, exactly one hundred less than the 1958 figure. The total number of indentures current at the end of both 1958 and 1959 was 1,586. The examination results were satisfactory, apart from the second division of the Intermediate. Here, 50 per cent passed as against 53 per cent in 1958, 64 per cent in 1957 and 73 per cent in 1956. The Council gives neither comparative figures nor percentages with its tabulated results nor does it offer any explanations. One would have thought that such a landslide called for some official comment.

The Institute's income and expenditure account for 1959 shows a deficit of £9,477, £6,940 more than that of the previous year. Income from all sources dropped from £41,992 in 1958 to £40,724 but the chief apparent causes of the increased deficit were larger totals for property repairs, salaries and printing, stationery, advertising, telephone and postages. The effect on the accumulated surplus of the year's deficit was mitigated by a credit in respect of entrance fees received for the 128 members of The Society

of Incorporated Accountants admitted in 1957 and 1958, amounting to £5,376.

The announcement that the Council recommends an increase in annual subscriptions as from January 1st, 1961, will be greeted with a wry smile by many of the more commercially minded members of the Institute. The present scale came into operation in 1952 and the marked increase in the Institute's activities since then is said to be the reason for the recommendation. In each year, however, from 1952 to 1957 the Institute contrived to make a surplus and nothing in its reports and accounts of the past two years indicates any sudden upsurge of activity, at least not sufficient to justify a deficit over that period of £12,000.

During 1959, the members finally approved the amendments to the Institute's rules necessary to implement the Lister proposals for the training of apprentices with the consequence that, as from September of this year or soon afterwards, the Intermediate and Final examinations will be replaced by five annual examinations, to be called Parts I-V, and the long talked of academic year will become a reality. Full details of the changes are contained in a new *C.A. Apprenticeship Guide* and the brows of many apprentices have in recent months become prematurely furrowed as they study the many and sometimes complicated transitional provisions set out therein.

To the growing list of amenities available to members were added in 1959 a Disability Group Scheme and a Superannuation and Life Assurance Scheme for employees of practising members. The Institute's group scheme with The Scottish Nuffield Provident Society (a branch of The British United Provident Association) continues to flourish and has now 1,750 members. The Institute is opposed to the recommendations and other matters, it continues to concern itself with the physical welfare of its members, particularly the old age on the part of members are expected to preserve a

Professional Rewards

TO enable it to make unilateral comparisons, the Royal Commission on Doctors' and Dentists' Remuneration, in the course of its preliminary inquiries, issued questionnaires to selected members of other professions inviting them to provide certain information about their incomes. In the case of accountancy, a one in ten sample was drawn from the membership lists of the English and Scottish Institutes and The Society of Incorporated Accountants. The 3,234 names thus selected yielded 2,224 effective replies, more than two-thirds of the total.

The results of this interesting exercise are contained in the Commission's recently published report.¹ Taking the accountancy statistics by themselves, the average earnings from professional sources in the fiscal year 1955-56 of accountants in the sample under age 35 was £985. From 35-39, it was £1,475 and, thereafter, from 40-44 £1,799, 45-54 £2,526, 55-64 £2,404 and 65 and over, £2,117. The lower quartile and highest decile in the first five of these six groups were, respectively, £720 and £1,471, £909 and £2,352, £1,180 and £2,856, £1,299 and £4,838 and £1,230 and £3,842. The lower quartile for the 65s and over was £1,000, but no figure was given for the highest decile.

Dividing the profession into occupational groups, the average earnings of members in private practice alone or in partnership was £2,170; of salaried employees of professional firms, £901; of salaried employees in other types of employment, including teaching, £1,788; and in salaried employment but not as accountants, £2,510. The lower quartile and highest decile in these four groups were, respectively, £1,084 and £3,903, £683 and £1,330, £1,059 and £3,011 and £1,430 and £4,300. Turning for a moment to the affluent and then to the young, twenty-five members out of 1,000 had income of £1,000 and over, and of these, four had £2,000 and over. The average income of those with £1,000 and over rose annually, going from £822, £869, £1,000, £1,100, £1,200, £1,300, £1,400, £1,500, £1,600, £1,700, £1,800, £1,900, £2,000, £2,100, £2,200, £2,300, £2,400, £2,500, £2,600, £2,700, £2,800, £2,900, £3,000, £3,100, £3,200, £3,300, £3,400, £3,500, £3,600, £3,700, £3,800, £3,900, £4,000, £4,100, £4,200, £4,300, £4,400, £4,500, £4,600, £4,700, £4,800, £4,900, £5,000, £5,100, £5,200, £5,300, £5,400, £5,500, £5,600, £5,700, £5,800, £5,900, £6,000, £6,100, £6,200, £6,300, £6,400, £6,500, £6,600, £6,700, £6,800, £6,900, £7,000, £7,100, £7,200, £7,300, £7,400, £7,500, £7,600, £7,700, £7,800, £7,900, £8,000, £8,100, £8,200, £8,300, £8,400, £8,500, £8,600, £8,700, £8,800, £8,900, £9,000, £9,100, £9,200, £9,300, £9,400, £9,500, £9,600, £9,700, £9,800, £9,900, £10,000, £10,100, £10,200, £10,300, £10,400, £10,500, £10,600, £10,700, £10,800, £10,900, £11,000, £11,100, £11,200, £11,300, £11,400, £11,500, £11,600, £11,700, £11,800, £11,900, £12,000, 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other qualities required; differences in the nature of the work and responsibility; the risks of legal proceedings; limitations on place of work or residence; the length of the working day and week;

the length of holidays; security of employment; the need for capital; additional benefits; morbidity and mortality; the length of effective professional life; and retirement and pension arrangements.

HOW TO CONTROL COSTS - V

Productive Materials Control

by R. G. H. NELSON, F.C.A., A.C.W.A.

IT is surprising how many people are employed wholly or partially in the supply and recording of a firm's raw materials requirements. Let us classify them:

- | | <i>Part-time</i> | <i>Full-time</i> |
|---|---------------------------------------|--------------------------------------|
| (1) Determining type and quality of materials to be used; and deciding whether to make or buy | Planner or engineer / cost accountant | |
| (2) Determining the quantity of materials required, and time when required. Fixing maximum and re-order levels; or planning flow of deliveries. (In case of non-recurring jobs this involves maintaining statistical records of consumption.) | Planner or | Materials controller |
| (3) Recording receipt and issue; and demanding in accordance with re-order levels or with planned delivery dates | | Stock records section |
| (4) Finding sources of supply and placing orders | | Supplies section (Buying officer) |
| (5) Receiving goods into stores. Dealing with rejects and short deliveries | Inspection | Goods inwards section. Store-keepers |
| (6) Storing goods safely; and issuing them as required | | |
| (7) Raising requisitions, drawing goods, and in some cases providing a pre-allocation pool | Planning or | Pre-allocation (? Progress) |
| (8) Recording material requisitions against cost headings | Cost office | |
| (9) Maintaining stock records by value | Cost office | |
| (10) Checking physical stocks | | Varies |
| (11) Checking terms of credit; paying creditors' accounts | Credit control section | |

In addition, we have not touched on such duties as storing and dispatching finished goods; the control of purchases against sanctions (this may overlap the planning function); the control of items sent out to sub-contractors; customs and exchange control formalities; materials handling organization; disposal of surplus stocks; and other

special matters which may arise such as the control of contract loan or embodiment loan stocks.

Everything that can cause loss in the case of labour has its counterpart in material usage, thus:

- | | |
|---|---|
| Lost time | Deterioration of material |
| Shortage of labour | Shortage of materials through failure to order or market difficulties |
| Waiting time | Slow-moving materials |
| Wastage of manpower in badly planned or controlled routines | Wastage of material (particularly consumable materials) through lack of supervision, poor methods or too strict inspection. |

In addition, however, and a bogey in the background of almost any progressive or expanding firm, there is the danger of excessive stock piling. Redundant labour can be stood off, within the limits of fair dealing and the desirability of maintaining skilled staff; redundant materials will in many cases be a drag on the market, and a sink for liquid assets.

Functions of the Accounts Department

Now where does the duty of the accounts department begin and end? Their possible functions appear to fall into three categories:

- Financial accounting*, Personal account recording; credit control and exchange control formalities.
- Cost accounting*, including 'make or buy' studies, product costing, and probably the maintenance of stock records and the initiation of purchase demands.
- Material control activities* which may or may not be part of the accounting responsibility, namely, the controlling of purchasing and stockholding levels.

The Control of Purchasing

The purchasing function is a service to production, and in the normal course of events will buy only what is requested by the production manager.

Provided there is to be no change in stock-holdings during a period, this means procuring quantities of materials equivalent to the proposed usage during that period.

(a) Routine purchases

The simplest way of making this correlation is to

Previous articles in this series were: I - 'Collecting budget information', *The Accountant*, October 3rd, 1959; II - 'Cash forecasting and working capital position', *The Accountant*, October 17th, 1959; III - 'Control of Capital expenditure', November 28th, 1959, issue; IV - 'Productive labour costing', December 26th, 1959, issue.

interpret the stockholding policy into terms of physical holdings of individual items (of raw material, parts, components, assemblies, etc.) and to arrange for the stock record department to place a demand on the buying department when any actual holding is approaching the re-order or 'minimum' level. This method, of course, is applicable only to materials that are being used in fairly regular quantities.

Let us suppose that for a particular component the maximum level is fixed at ninety pieces; and that the rate of consumption is thirty pieces per month. It is assumed also that the normal buying order will be for two months' supply (sixty pieces); and that the average time-lag between ordering and receipt of goods is half a month (during which time fifteen pieces will have been used).

In order to ensure that when a delivery of these components is received, the stock in hand will be ninety pieces, the relative purchase order must be placed when the existing stock level reaches thirty pieces (maximum holding less re-order quantity) plus fifteen pieces (quantity required to cover delivery delay). The re-order level will then be forty-five pieces.

This should be marked on the stock record as a warning to the clerk to raise a purchase demand at that level.

If the component in question is subject to scrap or wastage in process, the monthly rate of consumption quoted will presumably include a normal level of scrapping. If, however, the proportion of scrap is subject to wide fluctuations, then it may be necessary to raise the target holding and the re-order level so as to ensure that under the worst conditions anticipated, there is no danger of running into a stock shortage.

Another factor to be taken into account is any time-lag in writing up the stock records. If there is any appreciable delay between the physical movement of stock and the recording of that movement, then an order placed on the basis of the book balance must be placed either at a higher re-order level or for a larger quantity than would otherwise be necessary.

(b) Non-routine purchases

More often than not, production requirements for a particular material will fluctuate from period to period. The extreme case is that of the pure jobbing organization, in which buffer stocks may be held, but purchases will be made specifically for each job or contract.

In such an organization, the production planning function will need to be highly developed; and this function will be responsible for raising

purchase demands in accordance with specifications, inspection reports, or whatever other form of planning document is in use.

Dependent on circumstances, the placing of demands may be linked with a review of stock-holdings, so as to ensure that the best use is being made of the items of stock actually available.

In every case, of course, there is a joint responsibility on the planning and purchasing functions to ensure that purchase orders already outstanding are not duplicated.

(c) Purchase planning in the absence of stock records

It may be found desirable to take specific contract purchases directly into a pre-allocation store, rather than into a general store.

In the case of mass production, this idea may be carried one stage further and the material may be received in directly to the production department where it is to be used. Under such circumstances there may be no reliable independent record of usage; and if production schedules are at all elastic it may be necessary to make periodic physical checks on stocks throughout the plant to ensure that quantities on order are in fact aligned with production requirements.

(d) Financial control

If there is liaison between the planning, store-keeping and purchasing functions, purchases of material should be closely aligned with productive requirements. A rough overall check on this position can be obtained by comparing total purchases with total usage; and the first illustration to this article (Fig. 1) shows such a comparison in graphic form.

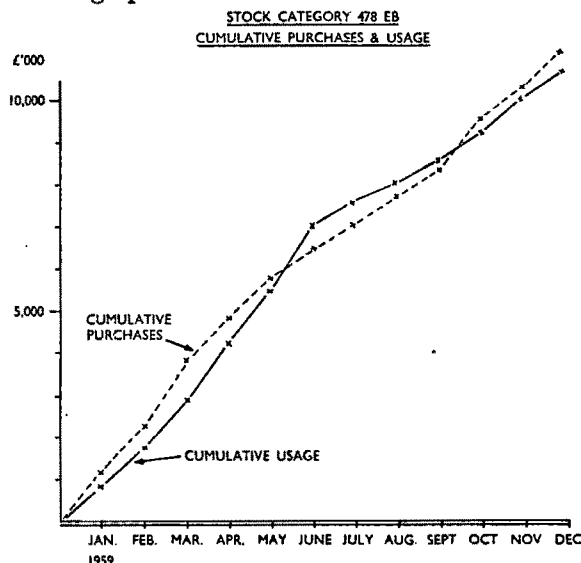


Fig. 1.

Obviously, one cannot aggregate different units of quantity, so that such a graph can be only in monetary terms. Its value will depend, therefore, on the method of pricing material usage. If both input to and output from inventory are at standard cost, the two lines on the graph will be strictly comparable. If, on the other hand, inventory relief is on a FIFO basis, there will be some time lag between the reflection of price changes in the 'cumulative purchases' line and in the 'cumulative usage' line. An approximate correction could be made by using different dates of origin for the two lines, according to the average time-lag between purchase and usage.

The figures of purchases can be either of orders placed, or of invoices received. The former is preferable in view of the disparity between suppliers in invoicing procedure; some firms invoicing in advance of delivery, and others some considerable time after delivery. The use of order values may not be possible, however, if firm prices cannot be obtained at the time of ordering.

A closer control will be obtained if a separate presentation can be made for each main category of material. This might involve setting up control accounts for such categories, an operation likely to run into difficulty unless the categories are clearly defined.

(e) *The purchasing budget*

The above comparison of purchases and usage may show what has actually happened, but it does not give any indication of what waste and inefficiency is concealed in the figures of material usage.

For this reason the attempt is sometimes made to determine usage in advance, and to control purchases against these predetermined targets.

The establishment of forecasts is a necessary part of the build-up of a master budget, as was explained in an earlier article. It is obvious, however, that such forecasts must be flexible, in that they are based on a forecast of production volume and mix that may well differ from what is actually achieved.

It may be difficult in any case to break down an estimate of annual purchases into monthly targets, due partly to differences between suppliers in delivery period and invoicing period; and also to the need to buy some items when the market is favourable or when opportunity offers.

It is not very practical, therefore, to fix short-term financial limits to buying activity. The danger is that while sanction is being obtained to

the variation of such limits, the production activity may be held up by lack of material. On the other hand, there will be a temptation to buy up to the target level in periods when this is not necessary to meet production requirements.

The Control of Stocks

An alternative to financial control on purchases is financial control on stock holdings. It may be easier, in fact, to determine a reasonable level of stockholding than to forecast a reasonable level of purchases. Month-end stockholding can then be reported against target as shown in Fig. 2. As

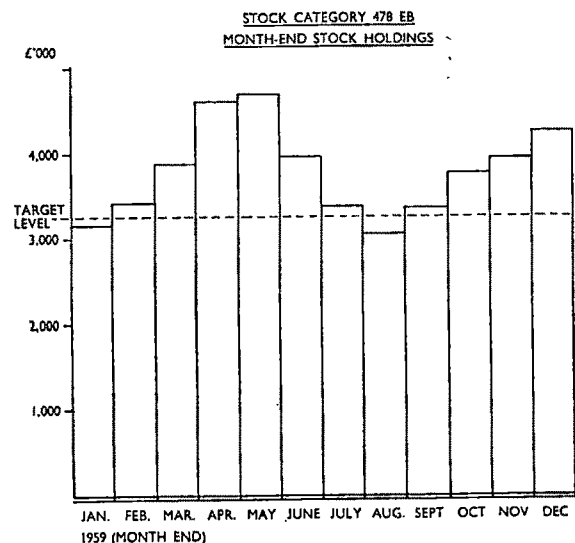


Fig. 2

in the case of the control of purchases, some breakdown by type of material is useful.

A point to bear in mind is that the month-end figures may not necessarily be representative of the normal level of stocks; and in the case of fast-moving stocks it might in fact be possible for the storekeeper to arrange receivals immediately after the chosen date so that his reported holdings were as low as possible. An elaboration of this chart could show against the month-end stockholding the forecast usage in the ensuing period. This would help to explain departures from the normal level of stockholding. The chart might then appear as in Fig. 3 (shown overleaf).

Persistent failure to bring total stock holdings down to the predetermined financial target of investment in inventories may be due to a variety of causes, but two of these demand particular attention:

(a) failure to give financial expression to all

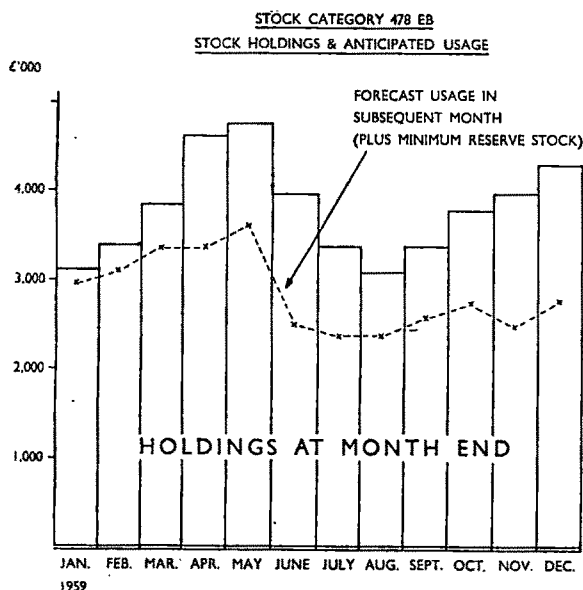


Fig. 3.

physical movement of stock, for example, pilferage, unreported scrap or wastage. That is to say, part of the reported stock value relates to stock which no longer exists as a physical asset of the enterprise;

- (b) the existence of slow-moving or non-moving stocks; which may be obsolete, or in excess of current requirements.

The former condition (unreported losses) will be confirmed only by physical checks, both on stocks in hand and on shop floor procedures in regard to scrap and wastage.

Every organization can benefit from some form of test check on physical stocks additional to the annual inventory; or from a cycle count which may be acceptable in place of the annual inventory. If one can be sure that the stock records are accurate within a reasonable tolerance, then one can set firmer limits on stockholdings than could be possible otherwise.

The benefits of physical checks will not always justify their cost, however, and in such cases it may be desirable to make provision through the monthly accounts to cover the estimated overstatement of inventory values.

The existence of obsolete and excess stocks can be detected by periodic scrutiny of the individual stock records for slow-moving items; and by technical or engineering appraisal of such items. It is obviously desirable that unless some use can be found for them, they should be segregated from current stocks and disposed of whenever an opportunity occurs.

Whether or not the accountant has direct responsibility for the above activities, he has a definite interest in ensuring that they are carried out so that the company's inventories are correctly stated, and that the company's resources are not tied up in useless stock.

Annual Inventory

The accounting organization is very deeply concerned with the annual stocktaking or inventory summaries, since the chief accountant must satisfy himself and the statutory auditors that the figure of stockholdings in the annual accounts does represent good, company-owned stores valued on a reasonable basis consistent with the company's general policy for inventory valuation.

It is probably desirable, therefore, for the chief accountant to take the lead in co-ordinating all activities relating to the stocktaking, working in collaboration with the production executives who will be responsible for organizing the work-plan of physical stocktaking and for providing the necessary labour force.

The secret of a satisfactory stocktaking is preliminary organization of every detail and an agreed time-table for the achievement of the work to be done.

General

Although we have been thinking in terms of productive material, the greater part of what has been said applies equally to non-productive material and general stores. In the larger organization, it is worth giving thought to the possibility of setting standards for the usage of indirect materials as well as direct materials.

Even should this prove impracticable in detail, one may find that some system of bulk requisitioning in predetermined quantities can be used as an aid to budgetary control of usage and as a means of saving the clerical work of processing large quantities of small requisitions.

The possibility of streamlining procedures must always be in mind, of course. In the case of productive material, a requisition can sometimes be produced concurrently with other documents such as inspection reports or work releases.

The scope for discussion of the various ramifications of material control is extremely wide, and this article has only referred briefly to those aspects which require the most urgent attention by the young industrial accountant, for whose assistance this series of articles is mainly intended.

Weekly Notes

New Chartered Accountant M.P.

MR M. N. SHAW, J.P., F.C.A., a partner in the firm of W. H. Shaw & Sons, Chartered Accountants, of Dewsbury, was elected United Liberal and Conservative Member of Parliament at the Brighouse and Spenborough by-election last Thursday week by a majority of 666 over his Labour opponent.

Mr Shaw, who contested the division at the General Election in October last year, failed at that time to gain the seat by only forty-seven votes.

Balance of Payments at Amber

THE provisional balance of payments figures for the fourth quarter of 1959 showed an adverse position to the extent of £253 million. Much of the change in the external monetary position was due to Government debt transactions including the advance repayment of £89 million to the Export-Import Bank and the end-year payment of £66 million of the United States and Canadian loans.

There was also, however, an adverse balance on the visible trade account estimated at £17 million. This was £24 million better than in the third quarter but £30 million worse than in the corresponding quarter of 1958. Imports, in fact, were rising more rapidly than exports while net private investment abroad was kept at a high rate.

The balance of payments was therefore showing the first symptoms of boom conditions in the home markets. Serious pressure on the balance of payments could develop if industry thought prices would rise and a rush to stock up raw materials from abroad developed. Hence the importance, so far as the balance of payments is concerned, of avoiding inflationary pressure on domestic prices. It must have been some inkling of the year-end state of the balance of payments which decided the Government to make a disinflationary move in good time and raise Bank rate.

New Committee on Official Expenditure?

THERE are indications that the Government is in favour of setting up a new expenditure committee with powers to explore Government expenditure in advance. It would, therefore, be able to deal with policy matters which neither of the present committees on expenditure can do. The Public Accounts Committee which is composed of fifteen members drawn from all parties sits every week from February until the summer recess to consider the Appropriation Accounts in detail. It can summon the account-

ing officers of the departments concerned to cross-examine them and it seeks to investigate mistakes and extravagance. It is, however, considering expenditure after the money has been spent. The Estimates Committee considers expenditure while it is being spent. This committee does not have time to make more than a selective examination of expenditure and it cannot consider administrative policy. In consequence its influence over the Government is comparatively modest.

The new committee (or it might be an enlargement of the Estimates Committee) would probably be presided over by a leading member of the Opposition as is the case with the Public Accounts Committee. One or two extra supply days would have to be introduced as well, to enable the proposed committee's report to be considered by the House of Commons.

Safeguarding the Investor

THE private member's Bill to amend the Companies Act, 1948, concerning the solicitation of money from the public, to which we referred last week, was debated in the House of Commons on March 18th, but failed to secure a second reading. During the debate Mr Geoffrey Stevens, F.C.A., said it was doubtful if the Bill went far enough, and whether private companies as such should in any case be entitled to appeal to the public for loans or deposits. He had seen one advertisement asking for deposits which was inserted by a firm calling itself industrial bankers, although on investigation he found that its total assets were just over £2,000. Parliament ought to take action now to give extra protection to the public.

The Economic Secretary to the Treasury said he did not think any problem arose out of deposits with the large banks or the trustee savings banks, nor was it necessary to introduce legislation directed against village savings clubs. They had to find a middle way between excessive strictness and unreasonable laxness. He doubted whether a private member's Bill was the right approach, but agreed that an overhaul was urgently needed and hoped that the Government would be able to announce its intentions in a few months. It was almost certain that legislation would be introduced next session. The introduction of this Bill had performed a useful service in directing attention to the problem.

Exempt Securities Sold Ex-dividend by Non-residents

THE Council of the London Stock Exchange has drawn the attention of members to a decision of the Inland Revenue with regard to claims by non-residents for repayment of tax deducted from interest on certain Government securities, where the resident has sold the stock ex-dividend during the twenty-one day period allowed by Rule 165. The Revenue maintain that the exemption granted by Section 195 of the Income Tax Act, 1952, is not strictly applic-

able unless the stock is in the beneficial ownership of the non-resident on the date on which the dividend is paid. However, the Inspector of Foreign and Colonial Dividends has normally allowed claims where the non-resident has been a bona fide holder of the stock for a reasonable period and has sold between the ex-dividend date and the pay date. The Council understands that no claim is likely to be allowed where the non-resident has sold the stock ex-dividend before the ex-dividend date during the twenty-one day period.

The stocks in question are:

- 4 per cent Funding Loan 1960-90
- 4 per cent Victory Bonds
- 5½ per cent Funding Loan 1982-84
- 3 per cent Savings Bonds 1955-65
- 3 per cent Savings Bonds 1960-70
- 3 per cent Savings Bonds 1965-75.

Nigerian Coal Industry Inquiry

A COMMISSION of inquiry into the Nigerian Coal Corporation has been set up by the Federal Government of Nigeria, with the following terms of reference:

'Increasing competition being met by Nigerian coal from other forms of fuel necessitates a close examination of the means by which production costs can be reduced. With this in view the inquiry is to:

- (i) examine and make recommendations about means of reducing overhead costs, and in particular to examine the management structure and the senior service establishment with a view to recommending changes conducive both to economy and efficiency;
- (ii) examine the salary, wage and allowance structure of the Corporation and to recommend such changes as appear to be necessary. Especial attention should be paid to the remark of the International Bank Mission in its report 'The economic development of Nigeria' that the incentive element in the wage structure was inadequate;
- (iii) examine ways and means of promoting the marketing of coal at a price competitive with oil fuel in association with the creation of new industries;
- (iv) examine ways and means of improving the quality of coal sold in Nigeria;
- (v) examine the future of the coal industry.'

It is understood that the chairman of the Commission is to be Mr Justice Kaine. One of the other four members - of whom two are from the United Kingdom and two from Nigeria - is Mr Douglas A. Clarke, LL.B., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales and senior partner of Messrs Pannell, Crewdson and Hardy, Chartered Accountants. The Commission has been appointed as a matter of urgency, following an appeal from the Government of Eastern Nigeria to the Federal Government. Under the Public Inquiries Ordinance, the Commission has the power to take evidence on oath.

Accountant's Office at His Home

PROCEEDINGS taken by Mr Ancrum Evans, T.D., F.C.A., for £400 damages against the London County Council, referred to in our last issue, have been dismissed with costs. Mr Evans brought the proceedings for an alleged breach of the statutory duty of the London County Council in relation to his application for planning permission to change part of his London house into an office. In a reserved judgment Judge B. S. Wingate-Saul said at Southwark County Court on March 18th, that in his view the London County Council must succeed on their defence that on a true construction of the Town and Country Planning Act, 1947, no action for damages would lie against a planning authority even if - which was denied - the authority were in breach of its statutory duty.

After awarding costs to the defendants, Judge Wingate-Saul said:

'I think the plaintiff, whom I am taking as a layman as far as the law is concerned, has argued his case with much lucidity and moderation. . . . Maybe he derives his forensic talents from his grandfather.'

Mr Evans said later that the grandfather referred to was Lord Maenan (formerly Sir Francis Taylor) who was presiding judge at the Liverpool Court of Passage for forty-five years.

Investigation on Resale Price Maintenance

THE Board of Trade is to carry out a confidential fact-finding inquiry into resale price maintenance. An invitation has been sent to interested organizations and to individuals to send written evidence to the Board of Trade. Direct approaches to representative bodies are to be made to give them the opportunity of supplying factual information. When announcing this inquiry in the House of Commons last week Mr Maudling, the President of the Board of Trade, said that the information which was available to the Board of Trade was insufficient for him to form any firm conclusion about the extent and effects of individual price maintenance arrangements. Although the main body of evidence to be obtained by the Board of Trade will be written, Mr Maudling said that the evidence might be clarified or added to by oral evidence if necessary.

The point at issue is whether it is desirable to amend or change Section 25 of the Restrictive Trade Practices Act, 1956, which gives individuals the power to enforce retail prices by legal action. This legal right was incorporated into the Act as a counterweight to Section 24 which prohibits the collective enforcements of conditions on prices. It is expected that the inquiry will last several months.

The Government is moving with extreme caution on a highly complex and controversial subject. The cut in retail prices which was touched off some time ago by the large grocery chains has now set something of a trend in public opinion and in certain trade

quarters away from resale price maintenance in favour of increased competition so far as prices of goods are concerned. There is therefore some possibility that the fact-finding commission may produce its results in a climate which is even more favourable to the abolition of resale price maintenance than at the

present time. Any modification in the law would, of course, have very widespread repercussions. At the present time there is a definite tendency for price maintenance in the grocery trade to crumble but in other goods the fixing of prices is not only enforceable at law but very much hallowed by custom.

This is My Life . . .

by An Industrious Accountant

CHAPTER 17

IT is remarkable how often accountants and salesmen find themselves at variance in business, like strange dogs that bristle and bark at their first encounter. Their subsequent reactions, for friendship or enmity, hinge on the lucky chance that they may meet on neutral ground.

So it was when I met our own sales manager. He's an extrovert type, good-looking, well-dressed, hearty and fluent, with a ready repertoire of apt anecdotes. He can put across his sales patter so convincingly that our customers depart delighted with their special bargains, what time our directors are congratulating him for having unloaded that 'surplus junk' at last.

On the debit side, he is an atavistic survival. He will not understand figures, which he affects to despise ('lies, dam' lies and statistics'), and contradicts our cost reports and our forecasts alike; he treats all his own subordinate geese as swans and rejects criticism; and he works on a basis of memory plus instinct with varying results. The odd bad result has been very costly indeed.

I've just had a row with him over our order books. His lamentably lenient lack of system permits our buyers to place verbal orders, without written confirmation, so their records are always inadequate. Also, the buyers hold the suppliers' invoices and only pass them to the accounts department after they have been certified for payment, thus automatically ensuring irreconcilable budgets, incomplete accruals, lost discounts and general shambles in our book-keeping.

I recommended a much improved system of quintuplicate order books, the basic principle being that on receipt of the goods, the buyer should pass one certified copy to accounts, who always retained the invoices. The benefits, for stock control, for costing, for discounts, should have been clear to the meanest intelligence. But not, I fear, to our sales manager. He treated me to some jibes about accountants having Civil Service mentalities, about fussy paper-work, and to a lecture on his favourite virtue, opportunism, in a patronising Scottish accent. We parted with hackles risen and fangs bared.

The office manager came rushing in after lunch,

wildly excited. He loves a sensation, so when I saw his eyes dancing and his pink face shining, I knew there was trouble brewing.

This time it was the chairman, of all people - our exemplary, esteemed and elegant chairman. He had been to the christening of his first grandson, returned brimming over with champagne, and was now (our righteous office manager was fairly quivering with anticipation) disgracing the firm on the first landing, and refusing to move therefrom.

Even allowing for the office manager's usual exaggeration it sounded bad, so I went out fast. There was the chief at the head of the main stairs, hands tucked into jacket pockets, teetering up and down on his toes, eyes tight shut, face the same flaming scarlet hue as his carnation, blissfully happy. Unfortunately, he was also uttering short sharp barks of joy at regular intervals, and passing customers were already staring and whispering.

The sales manager had gone boldly into action. He stood there too, telling a funny story with gusto, cloaking the chairman as far as possible, making it seem that they were enjoying a mutual joke. But the strain was telling and when our Bacchus turned away from him to bark sharply at two startled dowager types, the writing was on the wall. I broke in with brisk courtesy. 'Sir, there's a private phone-call for you, very urgent' (the chairman barked cheerfully), 'a lady, she refuses to give her name' (he stopped in mid-bark) 'a strange foreign accent. . . .' He stiffened suddenly to alertness, his eyes opened. 'I'll take it in my private office, Mr Secretary.' He was gone. So was the crisis.

The sales manager, mopping his brow, sank into a chair in my office. 'Don't worry,' I lectured him loftily, 'I fixed it with the switchboard, he'll be told she rang off suddenly. The foreign accent was an impromptu brainwave designed to excite his curiosity. Opportunism, my friend, opportunism.'

My colleague accepted the explanation with rather excessive amusement, I thought, and lapsed into his native broad Doric as he put me in my place. 'Ye're ower new in this toon to ken it, laddie, but a sairtain foreign accent has been exciting the auld fule's curiosity this while past. Ye should read Sir Walter's couplet:

'Full many a shaft, at random sent
Finds mark the archer little meant'.

He paused momentarily, practically wagging his tail. Then: 'Aboot these new order books, they look good, so let's try them out. When accountants preach opportunism, there's nae mair to say.'

Finance and Commerce

Water Company Accounts

THE accounts issued by The Luton Water Co, which was incorporated by an Act of 1865, form the reprint this week. The accounts are reproduced *in toto* – from the statement of capital to the balance sheet – but the statement by the chairman on the year's work and developments has been omitted for reasons of space.

A good part of the chairman's statement deals with the work involved in assuring the community of a supply of wholesome water – man's first essential need. It is probable that a Bill will be promoted in the 1960–61 Parliamentary session in conjunction with water undertakers in Northants, Beds, Hunts, and Herts, for the use of the waters of the Great Ouse river. Further, authority will be sought to take water from the Lower Greensand stratum at a site on Leagrave Common.

And at the other end will be the thousands of householders turning on their taps and running the water without thought of what a little economy in use could mean. If it had to be fetched by bucket from the nearest pump or stream, water would be used more carefully – but an abundant supply of pure water is one of the marks of modern civilization.

From Rags to Profits

THIS report and accounts is printed on rag paper made from rags supplied by I. & J. Hyman Ltd', is boldly stated on the front page of Hyman's report and accounts for the year to November 30th, 1959. Apart from illustrating that quality paper is produced from rags, it also indicates the line of business that I. & J. Hyman is in – and that is very important because it is the only indication in the report and accounts of the activities that produce the profits.

Even then, the indication is not close enough. The report and accounts of a public company in these days is expected to say something about the company and its business; something more than the figures in the accounts and a bald report from the directors.

And this report is bald. 'The increase in profits' – which before tax are up from £14,502 to £44,591 – 'has been achieved in spite of continuing slender profit margins. Our warehouse has been closed and steps have been taken to achieve improvements in the efficiency of manufacturing processes'. That is the sum total of news about the business.

More information can be obtained from the books of reference and from the statistical services which are available for those who may care to pay for them. But why not make the report and accounts really informative?

Mail Order

RALLI BROTHERS LTD, of Finsbury Circus, in the City of London, is one of the big names in merchanting, especially in the commodity markets. The review by Mr Jack Vlasto, the chairman, deals with cotton, jute and grains, the sisal plantation, the tea estates, etc. Another more recent line of business, at present in a difficult stage of development, is Bollin House Ltd, the mail order concern.

Bollin House made a loss of £266,825 including the cost of the autumn/winter catalogue which, with the addition of an emergency issue necessitated by the printers' dispute, amounted to £95,000. The loss is brought into the consolidated profit and loss account under the heading of exceptional items which means that it comes as a deduction from trading profits after taxation. In the balance sheet, the £266,825 reduces the amounts shown as invested in subsidiaries to £1,760,308.

Mr Vlasto reports that 'the leading personalities in the mail order business speak optimistically of the future and the volume of mail order trading is still increasing'. This, he says, should help Bollin House in 'the expansion of sales which is so essential'.

He adds, however: 'The loss for the current year will be higher than for last year but we continue to press forward and, in my next statement, I hope to be able to tell you that the worst pains are over.'

Breaking into the mail order business is very much a question of getting into people's homes via the letter box and that is where the football pool promoters have scored.

Borax Quarterly

BY the middle of January, Borax (Holdings) Ltd was issuing the preliminary statement of its profits and dividend for the year to September 30th, 1959. The full accounts and the review by the chairman, Lord Clitheroe, followed a month later. And a fortnight before the annual meeting on March 9th, shareholders also had in hand the consolidated profit statement for the first quarter of the current year to December 31st, 1959. In due course, quarterlies for the six and nine months with, of course, the appropriate comparisons, may be expected.

It may be said that one swallow doesn't make a summer; but there is now such a growing list of important companies issuing half-yearly and quarterly statements, as to make excuses that such frequent reporting is either impossible, misleading or not needed, look rather thin.

Next Week's Reprint

The accounts of Saxone, Lilley & Skinner (Holdings) Ltd will be the subject of next week's reprint.

THE LUTON WATER COMPANY

STATEMENT OF CAPITAL

No. 1

PREFERENCE STOCK AND CONSOLIDATED ORDINARY STOCK

Act of Parliament authorising Capital	Capital authorised to be raised	4½% Redeemable Preference Stock 1968 issued	5% Redeemable Preference Stock 1979/81 issued	4% Consolidated Ordinary Stock issued	Premiums received	Discounts allowed	Expenses of Sale	Addition	Net Amount received	Balance of Capital authorised to be raised
£	£	£	£	£	£	£	£	£	£	£
Luton Water Acts, 1865, 1897 and 1911	297,000	—	—	316,771	8,746	27,834	683	—	297,000	—
Luton Water Orders, 1880 and 1933										
Under the terms of the Luton Water Act, 1897, the authorised capital was increased by £52,500 and this additional capital Stock was issued in 1897 to Shareholders on the conversion of the 10% and 7% Shares into 4% Stock	52,500	—	—	52,500	—	—	—	52,500	—	—
Luton Water Orders, 1939 and 1951	400,000	159,993	107,545	149,239	3,285	20,062	—	—	400,000	—
	<u>749,500</u>	<u>159,993</u>	<u>107,545</u>	<u>518,510</u>	<u>12,031</u>	<u>47,896</u>	<u>683</u>	<u>52,500</u>	<u>697,000</u>	<u>—</u>

(See Capital Account No. 2)

DEBENTURE STOCK

	Authorised Borrowing Powers	4% Debenture Stock issued	5½% Redeemable Debenture Stock, 1977 issued	Discounts allowed	Net Amount received	Balance of Borrowing Powers
	£	£	£	£	£	£
Luton Water Order, 1951	<u>374,750</u>	<u>183,500</u>	<u>107,000</u>	<u>18,760</u>	<u>271,740</u>	<u>84,250</u>

(See Capital Account No. 2)

TOTAL Authorised Capital and Borrowing Powers (see Balance Sheet, No. 4)..... £1,124,250

CAPITAL ACCOUNT

No. 2

1958	£	1958	£	1958	£
Expenditure on Land, Works, Buildings, etc., at cost:				Net Amounts received:—	
874 Preliminary Charges	874	150,000	4½% Redeemable Preference Stock, 1968	150,000	
4,209 Parliamentary Expenses	4,209	—	5% Redeemable Preference Stock 1979/81	97,963	
20,574 Land, including Water Rights, etc.	20,539	449,037	4% Consolidated Ordinary Stock	449,037	
265,160 Buildings and Reservoirs	279,447	599,037			697,000
147,550 Wells and Boreholes	149,557	172,230	4% Debenture Stock	172,230	
407,409 Mains, Services and Meters	441,260	99,510	5½% Redeemable Debenture Stock, 1977	99,510	271,740
71,709 Plant and Machinery	73,125				
9,649 Vehicles and Mechanical Tools	10,535				
3,724 Office Furniture and Fittings	3,943				
930,858	983,489				
Less Eastern Gas Board's Contributions:					
101,171 *Friar's Wash	101,504				
7,812 †Bow Bridge	8,419				
108,983	109,923				
821,875 Total Expenditure to 31st December, 1959, carried to Balance Sheet (No. 4)	873,566				
48,902 Balance of Capital unexpended at 31st December, 1959	95,174				
<u>£870,777</u>	<u>£968,740</u>	<u>£870,777</u>	Total Receipts carried to Balance Sheet (No. 4) ...	<u>£968,740</u>	

* By an agreement dated 19th April, 1951, one-third of the net maintainable yield of water from the Friar's Wash Scheme is reserved for the Dunstable Undertaking for which reservation the Eastern Gas Board have agreed to contribute one-third of the Capital Expenditure to date.

† Similar terms apply to the Bow Bridge Scheme, under an Agreement dated 10th February, 1958.

DETAILS OF CAPITAL EXPENDITURE
during the Year ended 31st December 1959

	£
Friar's Wash Scheme	77
Bow Bridge (Shafford Farm) Trial Bore	1,894
Mains, Services and Meters	33,851
Crescent Road Extensions	15,285
Sundries, including Office Equipment, etc.	1,524
	<u>£52,631</u>

THE LUTON WATER COMPANY
REVENUE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1959

No. 3

1958 £		£	£	1958 £		£	£
	Pumping Charges:—			86,436	Water Rates	98,177	
5,097	Wages	5,185		67,490	Water Sales	70,703	
20,692	Electricity, Oil and Chemicals	18,865		153,926			168,880
25,789			24,050				
	Maintenance Charges:—						
3,006	Machinery	3,279		4,738	Profit on Materials sold and work done....		2,841
7,054	Works and Buildings	9,552		418	House Rents		519
12,341	Mains, Service Pipes, etc., and Meters....	13,416		191	Discounts received		219
4,237	Waste Detection and Prevention	4,534		1,639	Interest received on Reserve Fund Invest- ments (gross)		1,804
341	Water Analysis and Research	439		14	Transfer Fees		14
26,979			31,220	4,238	Income from Temporary Investments (gross)		4,584
11,332	Friar's Wash Charges	10,860		92	Net Profit from Sale of Reserve Fund Invest- ments		—
1,000	Friar's Wash Renewals Fund	1,000					
12,332		11,860					
6,354	Less Eastern Gas Board's Contribution	5,251					
5,978			6,609				
5,064	Staff Pension Fund		4,899				
2,100	Directors' Fees		3,000				
315	Auditors' Fee		315				
26,974	Salaries		29,730				
15,195	General Rates		15,574				
782	Insurance		691				
7,272	General Charges		6,501				
	Interest on Debenture Stock (gross):—						
7,340	4% Debenture Stock	7,340					
5,885	5½% Redeemable Debenture Stock, 1977	5,885	13,225				
	Taxation:—						
1,455	Profits Tax	1,400					
7,777	Income Tax on the current net revenue	5,242					
		6,642					
26,351	Balance carried down	36,405	43,047				
£165,256			£178,861	£165,256			£178,861
353	Original cost of Capital Account items written off		548	24,856	Balance brought forward from 1958		28,009
4,034	Transfer to Reserve Fund		1,084	26,351	Balance brought down—net revenue		36,405
9,000	Transfer to Contingency Fund		9,000	353	Original cost of Capital Account items written off to Contingency Fund		548
	Dividends less Income Tax:—			6,896	Surplus of General Rates Provision for 1956/ 1957		—
2,070	4½% Redeemable Preference Stock, 1968 Half-year to 30th June, 1959	2,205		—	Surplus of Taxation Provision of Previous Years		1,407
2,070	Half-year to 31st December, 1959	2,205	4,410				
	5% Redeemable Preference Stock, 1979/81						
—	One month to 30th June, 1959	274					
—	Half-year to 31st December, 1959 ..	1,647	1,921				
	4% Consolidated Ordinary Stock, Half-year to 30th June, 1959	6,352					
5,963	Half-year to 31st December, 1959 (proposed)	6,352	12,704				
	Transfer to Reserve for Redemption of Discount:—						
619	On 4½% Redeemable Preference Stock, 1968	620					
—	On 5% Redeemable Preference Stock, 1979/81 (7 months)	248					
375	On 5½% Redeemable Debenture Stock, 1977	374					
	Expenses of Issue of 5% Redeemable Prefer- ence Stock, 1979/81		1,242				
28,009	Balance of Revenue unappropriated and carried to Balance Sheet (No. 4)		3,232				
£58,456			32,228	£58,456			£66,369
			£66,369				

THE LUTON WATER COMPANY

BALANCE SHEET 31st DECEMBER, 1959

No. 4

1958		£	£
1,075,610	AUTHORISED CAPITAL AND BORROWING POWERS (As per Statement No. 1)		1,124,250
870,777	ISSUED CAPITAL AND DEBENTURE STOCK (Total Net Receipts, as per Account No. 2)		968,740
CAPITAL RESERVE:—			
Reserve for Redemption of Discount:—			
3,798	On 4½% Redeemable Preference Stock, 1968	4,418	
—	On 5% Redeemable Preference Stock, 1979/81 (7 months)	248	
687	On 5½% Redeemable Debenture Stock, 1977	1,061	
4,485			5,727
REVENUE RESERVES:—			
46,350	Reserve Fund	47,434	
51,472	Contingency Fund	59,924	
28,009	Balance of Revenue Account	32,228	
11,250	Income Tax on 1959 Net Revenue due 1st January, 1961	8,300	
4,355	Friar's Wash Joint Works Renewals Fund	5,355	
141,436			153,241
1,016,698			1,127,708
CURRENT LIABILITIES:—			
Interest accrued on Debenture Stock (gross):—			
2,447	4% Debenture Stock	2,446	
1,962	5½% Redeemable Debenture Stock, 1977	1,962	
		4,408	
12,725	Creditors and accrued charges	9,250	
7,184	Taxation including Income Tax up to the fiscal Year 1959/60	11,914	
Dividends for the half-year ended 31st December, 1959, less Income Tax:—			
2,070	4½% Redeemable Preference Stock, 1968 (since paid)	2,205	
—	5% Redeemable Preference Stock, 1979/81 (since paid)	1,647	
5,963	4% Consolidated Ordinary Stock (subject to approval)	6,352	
32,351			35,776
£1,049,049			£1,163,484

1958		£	£
821,875	TOTAL CAPITAL EXPENDITURE..... (As per Account No. 2)		873,566
RESERVE FUND:—			
46,160	Quoted Investments at cost (Market Value £45,981)		46,956
CURRENT ASSETS:—			
35,429	Stock of Water Pipes, Fittings, Tools, etc.	30,234	
55,768	Debtors and Payments in advance	27,875	
81,398	Short Term Loans with Local Authorities	162,317	
7,944	Balance at Bankers	22,245	
475	Cash in Hand	291	
181,014			242,962
£1,049,049			£1,163,484

NOTE ON ACCOUNTS

In addition to the commitment to the Eastern Gas Board, as set out in paragraph 3 of the Directors' Report, there are commitments for expenditure on Capital Account amounting to approximately £8,490.

A. F. PLUMMER } Directors.
D. SEEBOHM }

REPORT OF THE AUDITORS TO THE PROPRIETORS

The accounts set out on pages 4 to 7 are in agreement with the books which, in our opinion, have been properly kept. We obtained the information and explanations we required.

In our opinion the accounts comply with the Companies Act, 1948, and give a true and fair view of the state of affairs and the net revenue of the company.

London, 24th February, 1960.

COOPER BROTHERS & CO.,
Chartered Accountants.

CITY NOTES

THE last full Stock Exchange account before the Budget has brought a degree of uncertainty to the home sections of the market. Business has tended to dry up and share prices have moved within narrow compass.

News that the balance of payments position showed a deficit in the last quarter of 1959 was sufficient to bring a little realism into a market that had begun to show signs of shrugging off 'tough Budget' talk as unnecessarily bearish.

There were some special factors - such as loan repayments - influencing the October-December position, but the overriding influence was the pace of the rise in imports. That pace has, if anything, accelerated in the past three months and has not been offset by a comparable expansion in exports.

The monthly trade figures continue to provide the surest guide to the pitch of the external economy, and the widening trade gap in recent months is a matter that the Chancellor must take into account in framing his Budget.

At best, the Budget seems likely to be a holding operation which, if successful, could lead to an expansionist Budget a year hence. For the present, however, it seems unlikely that the stock-markets will obtain much encouragement from Mr Amory on Monday week. The immediate outlook is for steady, rather than firm, markets and although it has become popular to forecast a 'boom in June', the markets may find some difficulty in negotiating the Budget period.

RATES AND PRICES

Closing prices, Wednesday, March 23rd, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Jan. 15	£3 15s 7.79d%	Feb. 19	£4 10s 10.65d%
Jan. 22	£4 11s 1.19d%	Feb. 26	£4 11s 1.07d%
Jan. 29	£4 10s 9.18d%	Mar. 4	£4 10s 9.34d%
Feb. 5	£4 10s 10.88d%	Mar. 11	£4 11s 8.32d%
Feb. 12	£4 10s 11.30d%	Mar. 18	£4 12s 3.52d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 11-11	Frankfurt	11.70 11-11
Montreal	2.66 11-11	Milan	1742 11-11
Amsterdam	10.58 11-59	Oslo	20.02 11-03
Brussels	139.99 11-5	Paris	13.77 11-5
Copenhagen	19.34 11-8	Zürich	12.16 11-17

Gilt-edged

Consols 2½%	47	Funding 4% 60-90	91½
Consols 4%	70 11	Savings 2½% 64-67	83 11
War Loan 3½%	62 11	Savings 3% 55-65	90 11
Conversion 3½%	61 11	Savings 3% 60-70	79 11
Conversion 3½% 1969	85 11	Savings 3% 65-75	73 11
Exchequer 5½% 1966	100 11	Treasury 2½%	45 11
Funding 3% 66-68	82 11	Treasury 3½% 77-80	76 11
Funding 3% 59-69	81 11	Treasury 3½% 79-81	75 11
Funding 3½% 99-04	68 11	Victory 4%	94 11

Current Law

Loss of Lien by Unpaid Seller

THE defendant company in *D. F. Mount Ltd v. Jay & Jay (Provisions) Co Ltd* ([1959] 3 All E.R. 307) bought a consignment of canned peaches lying at a wharf and then sold part of it to X., for resale to two of X.'s customers. It was agreed that X. would pay the defendant with the moneys which he received from his customers. The defendant's managing director made out two delivery orders, addressed to the wharfinger, in favour of X., and X. endorsed them 'Please transfer to our sub-order' and delivered them to the wharfinger. X. agreed to sell the goods to the plaintiff company, and at the same time arranged to repurchase them, leaving the plaintiff with a small profit; he explained that he was entering into these transactions because he was

temporarily short of money. X. handed over a delivery order, similar in form to those received from the defendant, to the plaintiff and received the plaintiff's cheque in exchange. This he cashed. The plaintiff sent the delivery order to the wharfinger, and also sent a delivery order to X. X. sent the plaintiff a cheque in pursuance of the agreement to repurchase the goods, and this cheque was dishonoured, whereupon the plaintiff cancelled the delivery order in favour of X. The plaintiff sold a small part of the goods and claimed to be entitled to the balance, while the defendant, which had not received any part of the purchase price from X., claimed to be entitled to exercise all the rights of an unpaid seller in respect thereof. The wharfinger issued an interpleader summons to have the rights of the parties determined.

Salmon, J., held that the plaintiff was entitled to succeed on two grounds. First, the defendant had assented to X. reselling the goods within Section 47 of the Sale of Goods Act, 1893, which provides:

'Subject to the provisions of this Act, the unpaid seller's right of lien or retention or stoppage in

transitu is not affected by any sale, or other disposition of the goods which the buyer may have made, unless the seller has assented thereto.'

Secondly, the plaintiff was a person who had obtained a document of title in good faith and without notice of any right of an unpaid seller in the goods within Section 25 (2) of the Act, and this was the case although the delivery order received by the plaintiff was not one of the documents given to X. by the defendant. On the other hand, his lordship took the view that the plaintiff could not also rely on the proviso to Section 47, which also protects the transferee of a document of title, because there the document must be the very document given by the unpaid seller.

Covenant to Repair: Notice of Breach

THE plaintiff in *Silvester v. Ostrowska* ([1959] 3 All E.R. 642) claimed damages against the defendant for breach of a repairing covenant contained in a lease. At the trial of the action before His Honour Percy Lamb, Q.C. (Official Referee), a preliminary issue was decided on the validity of the notice which the plaintiff had served on the defendant, purportedly under Section 146 (1) of the Law of Property Act, 1925, and Section 1 (2) of the Leasehold Property (Repairs) Act, 1938, as amended by Section 51 (2) (b) of the Landlord and Tenant Act, 1954.

This notice alleged, in addition to breaches of the repairing covenant in the lease, breach by subletting. In fact, the lease contained no covenant against subletting. The defendant contested the validity of the notice, but the learned Official Referee found that the notice gave ample particulars of the breach of the covenant to repair and he treated the reference to subletting as mere surplusage. Accordingly, the action must continue for the question whether or not there had been breaches of covenant to be decided.

Specific Devises: Manner of Abatement

A TESTATOR gave his wife his residuary estate, which included certain freehold properties. The wife, who survived her husband by less than four months, so that on her death his estate had not been fully administered, devised six of these properties specifically. Three of these properties had, with other properties, been charged by the testator to a bank (which was an executor, with the wife, of the testator's will, and the sole executor of the wife's will). In the case of both estates it was necessary to resort to the six properties for the payment of debts. The bank sold four of these properties to meet the testator's debts and one to meet the wife's debts: it sold the sixth for the benefit of the specific devisee and because the property was in bad repair. In the case of the properties sold to pay the testator's debts, the bank treated the specific devises thereof as having wholly failed.

In *Re Cohen, National Provincial Bank Ltd v. Katz and Others* ([1959] 3 All E.R. 740) the bank

sought the answer of the Court to a number of questions. Not all are reported, but the answers to three of them are given in the judgment of Danckwerts, J. First, his lordship, following *Re Biss, Heasman v. Biss* ([1956] 1 All E.R. 89), held that, as the mortgaged properties were the subject of a specific devise, there was sufficient evidence of a contrary intention to take them out of the provisions of Section 35 of the Administration of Estates Act, 1925, which provides that, in the absence of such a contrary intention, property charged with a mortgage should bear the burden of that mortgage. Secondly, on equitable principles, all the specific devisees should bear equally and rateably among themselves the burden of the debts which were paid out of the proceeds of those specifically devised properties which were sold. Thirdly, the abatements which had to be made in the case of each specific devise should be calculated on the basis of the probate values of the properties, not on the basis of the prices at which they were sold.

Meaning of 'Next of Kin'

THE will of the testator in *Re Krawitz's Will Trusts, Krawitz v. Crawford and Others* ([1959] 3 All E.R. 793) contained a gift of residue, subject to a life interest given to his widow, in favour of his daughter Z. and her issue with a gift over for 'such of my next of kin according to the Statutes of Distribution as shall be living in the United Kingdom at the decease of' Z. It was provided that the gift in favour of Z. and her children should not take effect if Z. should 'marry a person who does not practise the Jewish religion' and there was a similar gift over in favour of next of kin.

Z. died without having had any issue. Vaisey, J., held that the clause divesting Z. and her issue of the residuary gift in the event of her marrying someone who did 'not practise the Jewish religion' was wholly inoperative because the expression 'practise the Jewish religion' lacked the precision which was essential to the validity of a condition subsequent.

Considering who was entitled to the testator's residuary estate on Z.'s death, his lordship held that, although, strictly, the testator's widow was his only next of kin living at Z.'s death, in fact his statutory next of kin, namely, the widow and two brothers and four nieces of the testator, living in the United Kingdom when Z. died were entitled in equal shares, subject to the widow's life interest. In reaching this decision his lordship had regard to Section 50 (1) of the Administration of Estates Act, 1925, which provides that:

'References to any Statutes of Distribution . . . in a will coming into operation after the commencement of this Act, shall be construed as references to this Part [Part 4] of this Act; and references in such . . . will to statutory next of kin shall be construed, unless the context otherwise requires, as referring to the persons who would take beneficially on an intestacy under the foregoing provisions of this Part of this Act.'

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Revenue Account Presentation

SIR, - Having for some years ploughed a lonely furrow in the study of accounts along similar lines, I was much interested in the article 'Revenue account presentation', by Mr John Matthews (March 19th issue).

I abandoned the description 'Net output' in favour of 'Payment for work done'. Although a little more cumbersome, it is more descriptive. It is simply that amount which the community pays to a business enterprise for the work it has done in transforming goods and services into something the community wants.

The implications of this approach are considerable. It treats a business enterprise as a group of people, shareholders, directors and work-people, joined together in a common endeavour. Some supply money, others their skills and labour. What they are jointly paid by the community for the work they do is shared between them in the form of dividends, interest, wages and salaries, or is retained for future development of the enterprise, and also shared with the community (as taxes) like the co-operator's dividend on his purchases.

This ceases to treat work-people as a cost of production but they are, instead, members of the enterprise sharing the rewards of production. It is possible to divide the payment for work done equitably between the shareholders and employees (including the directors); replacing profit sharing, annual bonus and even redundancy pay by something more just and logical. Its effect on the management-worker relationship would be, undoubtedly, for the better.

In a world of ever-increasing technological change where business enterprises invest more heavily in machinery but also much more heavily in the men who control the machines, the test of efficiency is no longer a matter of the return on capital invested or employed, but of the return on labour and capital invested. The payment for work done or net output concept of accounting makes this assessment possible.

This is not just another way of preparing accounts but of expressing in accounting form the changing nature of business and of the society in which it operates.

Yours truly,
FREDERICK NICHOLLS.

Welwyn Garden City, Herts.

Capital Allowances

SIR, - Mr T. J. Sophian in his article 'Investment and wear and tear allowances' published in your issue of March 12th, suggests that where plant expenditure is allowed as a renewal, the taxpayer may claim not only investment allowance of 20 per cent, but also the initial allowance of 10 per cent on the expenditure. Would he not agree that the initial allowance on such expenditure is excluded by Section 330 (1), Income Tax Act, 1952? Where the renewal basis applies, it seems that the initial allowance may be claimed only on additions, and is offset on the first renewal. Yours faithfully,

Newcastle upon Tyne.

H. J. H. Sisson.

Mr Sophian writes:

I would point out that the renewals basis is concessionary and that it was not intended in the article, when speaking of a 'renewal', to deal with this concessionary basis. If a taxpayer claims and is granted an initial allowance on the original purchase, and is then allowed (by concession) when making a renewal, instead of proceeding by way of balancing allowances and charges, to deduct the cost of the renewal, the Revenue are entitled to say that they are entitled (as part of the concession) to treat the cost of the renewal as a sum 'which is allowed to be deducted in computing . . . the profits' of the trade, within Section 330 (1) (a) of the Income Tax Act, 1952, so as to exclude the claim for an 'initial allowance' in respect of the replacement. But in so far as there is an element of improvement in the replacement the concession would permit of an 'initial allowance' in respect of the part of the expenditure relating to the 'improvement,' as your correspondent indicates.

For the ordinary case where the renewals basis has not been selected, the position with regard to 'improvements' etc. qualifying for a deduction under Section 137 (1) (d) of the Income Tax Act, 1952, would appear to be a very special one. It may be said that Section 330 (1) (a) is to be limited to expenditure, which is of a purely Revenue character. Where the expenditure under paragraph (d) of Section 137 (1), however, is of a capital character, as it must be to qualify for an investment allowance, it does not fall within Section 330 (1) (a) at all, even though it is allowed to be deducted, since it lacks the purely revenue character, which, it is submitted, is essential in order that Section 330 (1) (a) should apply. Accordingly, in addition to the 'investment allowance', the initial allowance can be claimed, since the expenditure is of a purely capital character, Section 330 (1) (a) having no application for the above reasons. This is the point that was intended to be made in the article. I feel that your correspondent may have misconstrued my remarks in assuming wrongly that I was dealing with the concessionary 'renewals' basis, when I was speaking of 'renewal'.

Work of the Small Practitioner

SIR, - The President of the Institute's remarks concerning the work of the small practitioner (February 27th issue) have brought the problem of incomplete record accounting to the forefront.

The basis of incomplete record accounting is that

by splitting the accounts into sections, the incomplete items can be isolated and then completed by simple arithmetic. For example, if all items involving cash except cash sales are known, it is possible by means of a total cash account to solve the following equation:

Cash sales = cash purchases + cash expenses + cash bankings + cash drawings + cash at end — cash at beginning — other cash receipts.

This method breaks down if two or more incomplete items exist in the same section. Usually the only way out of the difficulty is to depend on extra accounting information until only one unknown item exists in each section. Accounts are frequently seen in which cash in hand is computed from the bankings immediately after the year-end, the debtors from the next set of bankings, the creditors from the payments in the month after the year-end, and stock, drawings, own consumption, private use of vehicles, etc., and incidental expenses from estimates given by the client.

Since very many accounts are produced which contain all or the majority of these estimates and assumptions, accountants cannot be blamed if in the President's words

'no certificate is given and if one is given it implies no audit and takes no responsibility'.

On the other hand, accounts prepared by this method do give a deceptive appearance of accuracy and the net profit is nearly always shown with odd shillings and pence which heightens the deception, at least to the uninitiated.

In many thousands of cases the Revenue seems to accept such accounts as the basis for its assessments, and while it continues to do so there is little that can be done to improve matters. The Revenue's attitude appears to be that if it rejected such accounts the work of collecting tax would be brought to a standstill.

One wonders if the recognized bodies of accountants could therefore refer the President's remarks officially to the Revenue and ask for it to join them in seeking a solution as something of public importance. Now that the matter has come into such prominence, things cannot be allowed to go on in the old way.

Yours faithfully,

ALEX HARRISON, A.A.C.C.A., A.C.C.S.

Bedworth.

Salaries and Fees in the Profession

SIR, — In approaching these matters I would draw attention that some useful pioneer work has already been done by bodies of accountants in the colonies, on the Continent, and in the U.S.A. Besides, only last October The Institute of Chartered Accountants of Scotland issued a circular to its members intended 'to give some more specific guidance on fees than hitherto . . . where the time basis . . . is appropriate' and giving a list of time rates.

However, the main leadership in prescribing on

fee and organizational matters lies with the American Institute of Certified Public Accountants whose practitioners have faced much the same problems as we do. In the beginning they found

'that a disturbing number of C.P.A.s in public practice were deriving incomes from their practices which were below any reasonable standard'.

To improve matters the Americans have since acquired and circulated to their members a wealth of data and literature and held numerous seminars, while still leaving the market a part in regulating fees.

In the United Kingdom independent investigators have in their turn confirmed that the average practitioner's income is too low. This is largely the product of inability to handle fee and organizational problems. Such lack of capacity is more widespread than seems possible at first sight; it is not by any means confined to advertising or unqualified accountants. In England and Wales it is more prevalent amongst chartered accountants.

The *Members' Handbook* of The Institute of Chartered Accountants in England and Wales is of little help, as it only makes some scattered references to lesser fee matters. The emphasis of the *Handbook* is on ethical and sundry technical matters. This overlooks that no accountant can have the where-withal, or be competent enough, to handle such things as are in the *Handbook* if he lacks skill in fee matters and has nowhere to go for practical guidance on them.

As a consequence I suggest the most immediate tasks are to establish a bureau to which practitioners could take their fee and organizational problems, and simultaneously to compile and circulate data of what other countries have achieved in advance of us and what are the facts of the various levels of practice here (partly to be ascertained by practices posting some data to an independent tabulating service pledged to the kind of secrecy practices desired). From these activities, meat for the education of accountants could be obtained.

Depending on how these affairs are approached, the cost to the body of accountants in charge of them — such as the Co-ordinating Committee — need not be large and, indeed, after an initial period might yield a regular income. In any case, there is some reason to anticipate that the fruits of the foregoing tasks would enable practitioners and their staffs to work shorter hours and to an obvious degree be better remunerated. In addition, these tasks are essential to lay a foundation to bring the ethical relationships between accountants to a better state; and in due course revealing the extent of fee regulation (if any) which should be adopted in precise fee situations. Perhaps, therefore, some accountants with vocal gifts can persuade their fellow members to encourage activity being pursued on the lines indicated.

Yours faithfully,

London, NW3.

R. SPROULL (Sen.), C.A.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Henry Ansbacher & Co v. C.I.R.

In the High Court of Justice (Chancery Division)
February 18th, 1960

(Before Mr Justice DANCKWERTS)

Stamp duty - Purchase of stock units - Guarantee - Whether collateral, auxiliary, additional or substituted security - Whether only or principal or primary security - Stamp Act, 1891 - Finance Act, 1949, Section 35 (1)

The appellant purchased ordinary stock units of the Oriental Telephone and Electric Co Ltd. The consideration was the payment by a stated date of the sum of 61s for every stock unit, and the payment of another sum which was dependent upon the amount of the compensation receivable from the local government.

By clause 10 of the agreement, which was not under seal, a sum become payable to certain trustees, and

under clause 11 the appellant procured that that payment should be guaranteed, to the extent of £750,000 by the National Bank Ltd. A guarantee to this effect was executed by the bank. It was expressed to be supplemental to the sale agreement, and the bank guaranteed, to the extent of £750,000:

"The due and punctual payment to the trustees of whatever sum shall in the event be payable to the trustees on the second completion date under the terms of clause 10 of the said agreement".

The second completion date was the date when the final payment for the stock had to be made. By virtue of Section 31 (1) of the Finance Act, 1949, the sale agreement was exempt from stamp duty.

The respondents assessed the amount of stamp duty on the guarantee at 5s per cent that is to say, at £1,875, and contended that the case was within the heading 'Mortgage, Bond, Debenture, Covenant . . . Being the only or principal or primary security . . . for the payment or repayment of money' or within the description 'Being a collateral, or auxiliary, or additional or substituted security . . . where the principal or primary security is duly stamped'.

The appellant contended that the correct amount of duty was 10s.

Held: the guarantee was a collateral, auxiliary, additional or substituted security to a security not within the description 'Mortgage, Bond, Debenture, Covenant, and was not an only, principal or primary security; and was liable to a stamp of only 10s.

In Parliament

Restrictive Trading Agreements

Mr OLIVER asked the President of the Board of Trade whether he will give the number of agreements authorized to be removed from the register under Section 12 of the Restrictive Trade Practices Act as being of no substantial economic significance.

Mr J. RODGERS: The Board of Trade has so far given directions to the Registrar of Restrictive Trading Agreements authorizing him to remove the particulars of seven agreements from the register.

Hansard, Mar. 3rd, 1960. Written Answers. Col. 145.

Savings Banks: Deposit Limit

Mr ARBUTHNOT asked the Chancellor of the Exchequer whether he will increase the limits on deposits in savings bank accounts.

Mr AMORY: I am proposing to increase from £3,000 to £5,000 the limit on the aggregate amount which anyone may deposit in the Post Office Savings Bank and in the Ordinary Department of a trustee savings bank. I also propose to suspend altogether the limit on the amount which may be deposited in or credited to a savings bank account in any one year. These

changes will operate from May 2nd and a draft of the necessary order will be laid before Parliament shortly.

Hansard, Mar. 3rd, 1960. Written Answers. Col. 160.

Tax Avoidance

Sir H. BUTCHER asked the Chancellor of the Exchequer what steps have been taken to implement the recommendation in sub-paragraph 5 of paragraph 1029 of the Royal Commission on the Taxation of Profits and Income, Command Paper No. 9474.

Sir E. BOYLE: None. The working of the provisions against tax avoidance is kept under constant review, and as at present advised my right hon. friend does not think that it would be helpful to establish a committee such as the Royal Commission envisaged.

Hansard, Mar. 3rd, 1960. Written Answers. Col. 159.

Estate Duty

Sir H. BUTCHER asked the Attorney-General whether, having regard to the complex nature of estate duty legislation spread over at least fifty Finance and other Acts, and the difficulty that members of the public have in understanding the incidence of this tax, he will at an early date introduce a Bill to consolidate these enactments on lines similar to the Income Tax Act, 1952, in relation to Income Tax.

THE ATTORNEY-GENERAL: I can hold out no hope of legislation being introduced in the near future to consolidate these enactments.

Hansard, Mar. 3rd, 1960. Written Answers. Col. 161.

Travel Allowance

Mr GRESHAM COOKE asked the Chancellor of the Exchequer how much it would cost the Treasury to give a tax allowance of £10 per annum in respect of travel between home and place of business to all income tax payers so travelling.

Mr AMORY: The cost in a full year of allowing a deduction from earned income of £10 to all occupied persons would be £40 million. The cost of the kind of allowances which my hon. friend envisages would be less than this, but it is not possible to make any estimate because there is not sufficient information available about the number of occupied persons who would qualify.

Hansard, Mar. 8th, 1960. Written Answers. Col. 23.

Law Reform: Variation of Trusts Act

MAJOR HICKS BEACH asked the Lord Advocate when he expects to receive the Report of the Law Reform Committee on the question of applying the Variation of Trusts Act, 1958, to Scotland as well as England.

THE LORD ADVOCATE: The Law Reform Committee for Scotland is at present considering the law relating to:

- (a) the powers of trustees to sell, purchase or otherwise deal with heritable property and
- (b) the variation of trust purposes.

I expect to receive their report very shortly after Easter.

Hansard, Mar. 16th, 1960. Written Ans. Col. 110.

Resale Price Maintenance: Inquiry

Mr W. CLARK asked the President of the Board of Trade whether he will make a statement about his inquiries into the practice of individual resale price maintenance.

Mr MAUDLING: Investigation has shown that the information available to the Board of Trade is insufficient to enable me to form any firm conclusions

at present about the extent and effects of the practice of individual resale price maintenance.

I have, therefore, decided to institute a fact-finding inquiry into this subject. An announcement will shortly be made inviting interested organizations and individuals to send written evidence to my department. Such evidence may, as necessary, be clarified or supplemented by oral evidence.

In order to permit the greatest possible freedom in the expression of views, the inquiry will be confidential.

Hansard, Mar. 17th, 1960. Written Ans. Col. 123.

National Insurance: Graduated Contributions

Mr BELLENGER asked the Minister of Pensions and National Insurance what arrangements are being made to collect graduated contributions from weekly and monthly wage-earners under the National Insurance Act.

Miss HORNSBY-SMITH: Weekly and monthly contribution tables are included in the draft National Insurance (Assessment of Graduated Contributions) Regulations now before the National Insurance Advisory Committee. My right hon. friend will soon be submitting to the Committee draft Regulations, to be made with the concurrence of the Commissioners of Inland Revenue, providing for collection of the graduated contributions through the P.A.Y.E. system. These contributions will start in April 1961.

Hansard, Mar. 16th, 1960. Written Ans. Col. 89.

£ Sterling: Purchasing Value

Mr A. LEWIS asked the Chancellor of the Exchequer whether, taking October as being equal to 100, he will give the monthly per cent rise or fall since that date in the purchasing value of the £ sterling, the cost of living, the cost of imports, the cost of exports, the terms of trade, National Health and National Insurance contributions, National Health and National Insurance benefits, wages, prices and profits, retirement pensions, war disability pensions and unemployment, giving, additionally, the rate and rise or fall in the Bank rate.

Mr AMORY: Following is the reply:

	1959			1960	
	October	November	December	January	February
Index of retail prices	100	100·7	100·9	100·6	
Purchasing power of £	100	99·3	99·1	99·4	
Import prices	100	102	101	101	
Export prices	100	102	102	102	
Terms of trade	100	100	99	99	
Weekly wage rates (all workers)	100	100·1	100·2	100·4	
National Health and National Insurance:					
Contribution rates	100	100	100	100	100
Benefit rates,	100	100	100	100	100
Pension rates:					
Retirement	100	100	100	100	100
War disability	100	100	100	100	100
Number wholly employed in United Kingdom	100	103·4	102·1	111·8	106·8
Bank rate	4%	4%	4%	(Jan. 21st) 5%	5%

Note. — Figures of profits are not available on a monthly basis.

Hansard, Mar. 15th, 1960. Written Answers. Col. 78.

Electronics in the Office

Bank's New E.D.P. System

AN electronic computer capable of carrying out the whole of the current account book-keeping operation including the production of statements of accounts for customers has been successfully used in a branch of Martins Bank. It is claimed that this is the first time a bank in the United Kingdom has carried out a complete electronic programme. The equipment, which is based on a PEGASUS II computer, supplied by Ferranti Ltd, can deal with 30,000 accounts in five hours with no more than five people in attendance.

Twelve main accounting processes and two subsidiary ones are taken care of by the system, which checks itself automatically for errors at every stage. It even 'watches' overdrafts.

Working in conjunction with the maker's experts, the bank's organization research and development staff spent eight months to complete the full-scale detailed programme exercise. Final tests were made in December and since January 1st the work of one branch has been run on the computer.

The experiment involved only a small number of the bank's customers, but this proved successful beyond doubt as a basis for a large operation.

Peak capacity of the computer as ordered is 30,000 accounts, which would cover the work of several large branches, all entries being brought to the computer centre on punched-paper tape which is the raw material on which the computer is fed. The installation can be added to, providing an increased capacity for work, and provision is made for the automatic reading of vouchers when suitable equipment is available at a later date.

1961 Computer Exhibition and Business Symposium

THE second Electronic Computer Exhibition and Business Symposium is to be held next year at Olympia, London, from October 4th to 12th.

Organized by the joint committee of the Electronic Engineering Association and the Office Appliance and Business Equipment Trades Association, the exhibition and symposium will be designed to interest home and overseas users and potential users of computers and data processing systems and to demonstrate to them the considerable progress made in the United Kingdom in design, manufacture and use of computers.

Since the 1958 exhibition much new equipment has been announced and there has been a considerable increase in production and sale of British computers to Government departments, local government authorities, industry, commerce, university and research establishments at home. Export sales have become more pronounced, and their value since the last exhibition was held is estimated at £1½ million.

Leading companies in the British computer industry were recently hosts to representatives of West German industry, trade, science, banking, insurance and trans-

port, and at the end of the tour the mission stated that they had been impressed by the extent of the development of computers in the United Kingdom; by the wide range of equipment on offer, the understanding of British firms of the need for servicing on the spot; and the training facilities offered.

Mr Vernon M. Roberts, O.B.E., chairman of the joint committee, said: "The 1958 exhibition was intended to be 'a once only', but the reaction from users and potential users, particularly abroad, has been very much in favour of another one within two or three years. Our latest encouragement is that the German mission said that British computers were competitive on the German market both as regards quality and price, and we feel that this may well be so in other markets."

The secretary of the joint committee is Mr D. C. Scoones, Messrs Peat, Marwick, Mitchell & Co, 94-98 Petty France, London, SW1, and the exhibition organizer is Mrs S. S. Elliott, M.B.E., 64 Cannon Street, London, EC4.

In the Grand Hall, Olympia, adjoining the Computer Exhibition, will be the Business Efficiency Exhibition, from October 2nd to 11th, 1961, in which computers and ancillary equipment will be shown.

New Midlands Computer Centre

THE first Midlands computer centre of International Computers & Tabulators Ltd, at Wolverley House, Digbeth, Birmingham, was formally opened on February 22nd by Sir Edward Boyle, M.P., Financial Secretary to the Treasury.

Sir Cecil M. Weir, K.C.M.G., K.B.E., M.C., chairman of the company, stated that this was the company's first electronic computer installation to be established outside London in what, until now, had been exclusively a mechanized data-processing service bureau. Seventeen such establishments existed throughout the country, and this was the first to be equipped with a computer. Each year the Midlands bureau performed about 2,000 different data-processing jobs for some 150 neighbouring undertakings and it provided modern and speedy facilities for those who were not ready to install their own punched-card electronic equipment.

The Type 1202 computer was the latest production model in the company's 1200 range. Moderately priced at around £50,000 and small by some standards, the computer will allow considerable expansion of the facilities offered at the centre.

Mr Michael Stammers, deputy manager of the computer group in London, said that Birmingham had been selected for the first provincial installation because from there it would be possible to cover a wide area—a hive of industrial and commercial activity and progressive in outlook.

Other centres throughout the United Kingdom are to be similarly equipped and the first cities are likely to be Glasgow, Manchester and Leeds.

LONDON CHARTERED ACCOUNTANTS' TAXATION CONFERENCE

SUCCESSFUL OCCASION AT EASTBOURNE

Over 120 members of the London and District Society of Chartered Accountants attended a successful residential conference on taxation held at Eastbourne on Thursday, Friday and Saturday of last week. The conference was under the chairmanship of Mr H. Gordon Smith, F.C.A., and was opened by Mr S. J. Pears, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales.

Vice-President's Opening Address

Mr Pears welcomed those attending the conference. He said he believed the Council was very much in favour of conferences of this kind being held which enabled practising accountants to keep themselves up to date and to exchange views. He thought the conference would be a great success particularly having regard to the speakers selected and the subjects with which they were dealing.

He said that there were two points in connection with taxation he would like to mention, both relating to the profession's relationship with the Inland Revenue authorities. The first was in connection with stock valuation.

A few months ago the Inland Revenue started a new procedure whereby they asked certain taxpayers to allow the Inland Revenue accountants to make an investigation of their books in order to verify their stock valuation. When the Council heard of this new procedure it immediately took up the question with the Board of Inland Revenue in conjunction with the Scottish and Irish Institutes. As a result of these interviews the Inland Revenue agreed to stop the new procedure, at any rate for the time being, pending a thorough trial of the traditional question and answer method.

It was up to both the Inland Revenue and the profession to see that the question and answer method succeeded. As regards the profession it was their duty, in Mr Pears's view, to see that all the stock of a taxpayer was included in the stock sheets and that it was valued on sound accounting principles. With regard to the Inland Revenue it was, in his view, their duty to exercise a certain amount of restraint both as regards the information asked for and the basis of valuation which they suggested.

The verification and valuation of stock was in many ways the most important item in the accounts as upon it depended whether the true results of the period were shown and this affected the showing in the accounts of the true and fair view of the statement of the company's affairs.

The second point was in connection with the delay in submitting computations and in dealing with points arising thereon. The Inland Revenue complained there was delay in accountants' offices and accountants complained there was delay in Inspectors' offices. It was important, however, that accountants should deal with their work as rapidly as possible in spite of the difficulties which arose, including the difficulties of obtaining suitable staff.

Tax Implications of Business Growth (Part I)

Following the opening address, the first of two papers on the taxation implications of business growth was given by Mr J. D. Wells, F.C.A. (Messrs Barton, Mayhew & Co), who prefaced his remarks with the observation that there was a belief that static businesses did not exist, they either expanded or contracted, or became the subject of a take-over bid. Beginning with the new business, Mr Wells pointed out the necessity of ensuring that revenue expenditure was not incurred until the business had actually begun; otherwise there would be difficulty in having it allowed for tax purposes. He stressed the advantage of making up accounts soon after April 5th so as to have an extra year's time lag between increased profit and increased tax. It was true that the same time lag would apply to capital allowances, but one must assume that these would be less than the profit, otherwise no tax would be payable in any case.

The speaker mentioned the attrition by surtax on the build-up of a business when not run by a company. On the other hand, certain advantages could be secured by judicious partnership changes. It was regrettable that one was not allowed to charge for the amortization of leases of business premises.

Turning to the benefits of incorporation, Mr Wells pointed out that unless a business was reasonably large, the advantages of incorporation might be illusory. Then the gain from reduced surtax might be counterbalanced by the new liability for profits tax. One could perhaps avoid the commencing and cessation provisions on the transfer of a business to a company by taking advantage of Section 17 of the Finance Act, 1954. Mr Wells said that the problem of surtax direction would be dealt with by another speaker but it was a matter very germane to the tax implications of business growth. He had heard it suggested by counsel that where a trader sold his business to a company in consideration of cash left on loan, and withdrew the loan in instalments, instead of taking dividends or remuneration, then it would be sufficient for the company to declare a dividend of a gross amount equal to the instalments; he (Mr Wells) would have thought that a net dividend of that amount would be necessary, but of course logic was an indifferent guide in tax matters.

The speaker wound up by saying that the principal obstacles to building up business capital were surtax and estate duty and the total yield from these taxes was low compared with income tax or purchase tax. It should be possible to mitigate surtax and estate duty on trading undertakings without crippling the Exchequer.

Taxation and Business Growth (Part II)

In the second of the two addresses on the tax implications of business growth, Mr J. S. Heaton, F.C.A. (Messrs Bottomley and Smith), dealing with the questions of expanding or paying surtax, reviewed the provisions of Chapter III of Part IX of the Income Tax Act, 1952, with particular reference to control;

the machinery for directions and apportionment; appeals; statutory declarations and applications for clearance. The factors involved in considering dividend policy were discussed.

In regard to the relinquishing of control by directors, transfers of shares were considered in relation to settlements for the benefit of minor children and other beneficiaries. The speaker pointed out that the loss of directors' controlling interest for profits tax might involve Section 32, Finance Act, 1951, in relation to subsequent remuneration. He contrasted the retirement benefits available to controlling directors (by annuities under the 1956 Finance Act), with pension funds or schemes which may be appropriate after decontrol.

Dealing with company reconstructions Mr Heaton discussed purchases of shares with accumulated losses and their carry-forward and, also, purchases of shares of companies with accumulated profits in relation to post-acquisition dividends. He reviewed inter-group annual payments and trading relationships, including subvention payments; reconstructions involving hiving off the whole or part of a trade were mentioned in relation to Section 17, Finance Act, 1954, together with overseas ramifications in the form of branches, non-resident subsidiaries and overseas trade corporations.

Mr Heaton concluded by considering the reconstruction of a private concern which may be necessary before conversion to a public company, either by acquisition of undertakings, or exchange of shares; and he pointed out the stamp duty reliefs under Section 55, Finance Act, 1927. The speaker made reference to the special position of penultimate and final accounting periods prior to liquidation, for surtax provisions.

Capital or Revenue Expenditure

The third and final address of the conference was given on Saturday morning by Mr B. R. Pollott, M.A., F.C.A. (Messrs Spicer & Pegler). This was a comprehensive and carefully composed lecture on the perennially interesting topic of permissible deductions for Case I income tax purposes, with special reference to disallowance of expenditure on the grounds that it is capital and not of a revenue nature.

Mr Pollott reviewed the few relevant provisions on this topic in the Income Tax Act, 1952, and pointed out that in the 1952 consolidation, the reference to 'the balance' of the profits and gains had been dropped, so that there was not even this slight indication that deductions not specifically mentioned in the Act could yet be allowed. The speaker then went on to deal with the much more voluminous case law and to extract certain principles from it, the most important of which is that where a deduction is proper and necessary to be made in order to ascertain the balance of the profits and gains, it ought to be allowed notwithstanding the general prohibition in Section 511 of the Act, provided that there is no prohibition against such an allowance in any of the rules applied to the cases. (*Usher's Wiltshire Breweries v. Bruce.*)

Turning to capital expenditure, Mr Pollott quoted the classic definition by Viscount Cave in *Atherton v. British Insulated and Helsby Cables* but stressed that this was not an exhaustive definition; other things could be capital without being within the definition. After dealing with the question of the appealability of Commissioners' decisions on these matters, the speaker went on to examine specific examples of expenditure held to be capital, mentioning two recent cases, amongst others, namely, *C.I.R. v. William Sharp &*



At the Taxation Conference of the London and District Society of Chartered Accountants held at Eastbourne last week-end. Left to right: Mr A. C. Simmonds, F.C.A., Group Leader; Mr J. D. Wells, F.C.A., Speaker; Mr D. B. Buick, F.C.A., Group Leader; Mr J. S. Heaton, F.C.A., Speaker; Mr D. S. Morpeth, B.COM., A.C.A., Group Leader; Mr R. H. Langdon-Davies, D.F.C., F.C.A., Group Leader; Mr B. R. Pollott, M.A., F.C.A., Speaker; Mr J. F. Taylor, F.C.A., Group Leader; Mr H. Gordon Smith, F.C.A., Conference Chairman; Mr R. O. A. Keel, F.C.A., Group Leader; Sir William Carrington, F.C.A., a Past President of the Institute; Mr D. L. Combridge, F.C.A., Group Leader; Mr S. J. Pears, F.C.A., Vice-President of the Institute; Mr J. A. Allen, F.C.A., Group Leader; Mr J. C. Durnin, F.C.A., Group Leader; Mr J. W. G. Cocke, T.D., M.A., F.C.A., Secretary of the Society; Mr J. D. Russell, M.A., F.C.A., Chairman of the Society.

Son and Dain v. Auto Speedways where a payment to be rid of a revenue liability was nevertheless held to be capital. On the question of replacement of buildings

or parts of buildings, as opposed to straightforward repair, Mr Pollott graphically set out the recent trend of decisions, culminating in *Lawrie v. C.I.R.*

OUTLOOK FOR THE FUTURE

President's Comments at Norwich Dinner

Speaking at the annual dinner of the East Anglian Society of Chartered Accountants, held at Norwich on Friday of last week, Mr C. U. Peat, M.C., M.A., F.C.A., President of The Institute of Chartered Accountants in England and Wales, said that was the last occasion on which he would have the privilege and pleasure of replying to the toast of the Institute at the annual dinner of a district society. It had been a wonderful experience visiting the district societies, he said, and in every case he had had an opportunity for good two-way talks with members of the students' societies, which had deepened his understanding of some of the things they were concerned about.

This year's annual dinner of the East Anglian Society was a very special occasion, he said, in that Mr C. H. Sutton, F.C.A., President of the Society, was the first ex-incorporated accountant to become President of a district society since integration; it was an outward and visible sign of the smooth and successful way integration had worked, and, declared Mr Peat, 'I should like to offer my heartiest congratulations to your President'. He continued:

Slight Breeze of Controversy

'During my year of office I have tried to study the broader aspects of our profession, and have been able, by conversation and some research, to get a fairly clear picture of the Institute and of some of its more fundamental problems. In the process I may have stepped on some corns, for which I am sorry, but in that a slight breeze of refreshing controversy has been roused I am delighted.

'My main conclusion is that there is much to be done, and done reasonably quickly, if we are going to put ourselves in a position to reap the rich harvest which has got to be garnered by someone. Thank heaven for those who saw the red light and set up the Education and Training and the Technical Activities Committees, and years ago started the Institute off on a programme of research, which is already bearing fruit.

'To any one who is privileged to be President of the Institute, the picture he sees is that of a community of 33,000 people, bound together by strong ties, each of whom matters intensely: in fact the administration of our Institute is a human problem like running a family, but in addition to family problems we have the burden of our great responsibilities to the State and the people of the realm. Sometimes one encounters that mentality in our members which indicates the point of view that on qualification as a chartered accountant, no further interest is taken in the Institute or its doings. This is, of course, a serious weakness

and is usually due, not to any indifference to the Institute, but rather to the circumstances of the person's employment. I am glad that our colleagues, the non-practising or industrial and commercial accountants, have a close link with the Institute and are well represented on the Council. I know that all members of the Council are continually on the look-out for any other ways in which we can serve the interests of those who are not in the practising side of the profession.

The Greatest Problem

'The greatest of our problems is the training and education of our articled clerks and I am delighted that the Education and Training Committee is tackling this problem from the roots up, for that is the only way in which it can be dealt with.'

Mr Peat went on to say that he wanted to express his appreciation of the support and companionship he had received from the Presidents of the district societies who had accompanied him to the annual dinners. He added:

'For me it has been a wonderful demonstration of patient friendship, and I shall always hold them in my highest regard. I must also pay my tribute to that most patient and most faithful friend of all, Mr MacIver. He has been an ever-present tower of strength and quiet confidence, I thank him most sincerely.'

In conclusion the President said:

'May I end on the note of the constructive good fellowship which has surrounded me wherever I have gone in the district societies. I am sure that, together, we can face the future with confidence and prepare ourselves to take advantage of the manifold opportunities which this rapidly expanding world has to offer us.' (*Applause.*)

Mr Michael Bulman, the Lord Mayor of Norwich, who proposed the toast of 'The Institute of Chartered Accountants in England and Wales', described the accountancy profession as a profession with high ideals. These ideals, he said, were always kept before new entrants, those who were studying and qualified members.

Mr A. N. Myers, A.C.A., Vice-President of the East Anglian Society, proposed the toast of 'The Guests', and Mr L. Bruce Lockhart, Headmaster of Greshams' School, responded.

Mr D. H. Smith, F.C.A., the immediate Past President of the East Anglian Society, thanked Mr Sutton for his services as President during the year.

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS ARTHUR J. SMITH & Co, Chartered Accountants of 8 Kew Road, Richmond, Surrey, announce that they have admitted into partnership Mr JOHN W. SMITH, B.SC.(ECON.), A.C.A., son of Mr ARTHUR SMITH, F.C.A., A.T.I.I., and for some years a member of the staff of the firm.

MESSRS H. F. ADAMS & Co, Chartered Accountants, of Dilworth House, 190 Broad Street, Birmingham, 15, announce the retirement of Mr H. F. ADAMS, F.C.A., who will however continue to be available in a consultant capacity. Mr JOHN N. GRAY, B.COM., A.C.A., who has been associated with the firm for some time has been admitted into partnership. Mr GRAY is also a partner with Mr G. A. CLIFFORD, F.C.A., and Mr J. T. CHAMBERLAIN, A.C.A., in the firm of BLOOMER, HEAVEN & Co, Chartered Accountants, at the above address.

MESSRS P. D. LEAKE & Co, Chartered Accountants, of 84 Queen Victoria Street, London, EC4, announce that Mr P. W. PHILLIPS, A.C.A., was admitted into partnership as from April 1st, 1960. The name of the firm remains unchanged.

MESSRS FRYER, SUTTON, MORRIS & Co, Chartered Accountants, of 5 London Wall Buildings, EC2, and 175 Friar Street, Reading, announce that on April 1st, 1960, they will take into partnership Mr S. J. BENNETT, F.C.A., and Mr F. E. SMITH, A.C.A., who have both been members of the staff for many years. The practice will continue under the same name.

MESSRS ROOKE, HOLT & Co, Chartered Accountants, of 83 Ebury Street, London, SW1, announce that their partnership will terminate by mutual consent on April 30th, 1960; thereafter Mr M. C. HOLT, F.C.A., will continue in practice at 83 Ebury Street, SW1, in the firm name of ROOKE, HOLT & Co; Mr E. J. N. NABARRO, F.C.A., will continue in practice under the name of ERIC NABARRO & Co, at 5 Bloomsbury Street, WC1. (Telephone Langham 9717.) Mr D. T. RODGERS, A.C.A., will continue in practice under the name of D. T. RODGERS & Co, at 27 Ennerdale Drive, London, NW9 (Telephone Colindale 8877) and is also joining P. A. THOMAS & Co, of 27 Albemarle Street, W1.

MESSRS NASH & Co, Chartered Accountants, of Parkstile Chambers, Market Street, Kettering, announce that, as from March 16th, 1960, Mr C. G. MEADOWS, A.C.A., has been admitted into partnership.

MESSRS C. T. KILNER & Co, of 21 Lower Belgrave Street, London, SW1, announce with deep regret the death of Mr C. G. C. KILNER which occurred suddenly on March 17th after a short illness. The practice will be carried on by Mr T. A. A. KILNER, A.C.A., at the same address.

MESSRS JONES, WILSON and Co, Chartered Accountants, of 55 Wellington Road South, Stockport, announce that Mr A. POPPLEWELL, F.C.A., Mr G. W. WOOD, F.C.A., and Mr W. D. WILSON, F.C.A., retired from the firm on December 14th, 1959. The practice will be carried on under the same style by Mr WILLIAM E. BARKER, A.C.A., A.T.I.I., from the same address.

MESSRS WILLIAM E. BARKER & Co, Chartered Accountants, of Manchester, announce that as from December 14th, 1959, they have opened a Stockport branch at 55 Wellington Road South, Stockport.

Mr ANDREW M. LOIZIDES, C.A., and Mr GABRIEL G. SCOTTIS, A.C.A., announce their partnership under the firm name LOIZIDES, SCOTTIS & Co, Chartered Accountants. The practice will be carried on in Cyprus at Nicosia, Phaneromeni Buildings, Liberti Street, at Limassol, 'Amathous' Building, Syntagmatos Street, and at Larnaca, 70A Lord Byron Street.

Appointments

Mr P. W. Gwilliam, F.C.A., has been appointed secretary of British Engine Boiler & Electrical Insurance Co Ltd, as from May 1st next; he will retain his present position as accountant.

Colonel T. F. Hood, O.B.E., T.D., D.L., F.C.A., has been appointed chairman of Portman Building Society.

Mr A. I. Mackenzie, B.A., C.A., has been elected a director of The Scottish Widows' Fund and Life Assurance Society.

Mr H. J. Hanford, M.A., F.C.A., secretary of Huntley & Palmers Ltd, has been appointed a director of the company.

Mr G. Mackie, C.A., has been appointed assistant accountant of British Railways Eastern Region.

Mr W. G. Palmer, A.C.A., has been appointed a director of C.B.S. Ltd, a member of the Columbia Broadcasting System Group.

Mr David Cohen, A.C.A., has been appointed a director of Public Relations Consultants Ltd.

Mr E. J. B. Wills, F.S.A.A., A.I.M.T.A., has been appointed borough treasurer of Reigate.

The Duke of Norfolk, Lord Lieutenant of Sussex, has appointed Brigadier E. W. P. Broad, T.D., F.C.A., a Deputy Lieutenant of the County.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held in the Oak Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London, EC2, next Wednesday at 4 p.m.

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OBITUARY

Clement Maurice Champness, F.C.A.

It was with deep regret that we learned of the death, on March 7th, at his home in Purley, of Mr Clement Maurice Champness, F.C.A., at the age of 81.

Mr Champness was admitted an associate of The Institute of Chartered Accountants in England and Wales in February 1902, and in 1906 joined his father and elder brother as a partner in the firm of J. H. Champness, Corderoy & Co, becoming senior partner in 1925, in which year he was also elected a Fellow of the Institute.

He continued in practice with the firm, which later became J. H. Champness, Corderoy, Beesly & Co, until his retirement on December 15th, 1959.

In his younger days, Mr Champness was a keen cricketer and footballer and until recent years an equally keen golfer. He was an active and lifelong member of the Methodist Church, a freemason and a supporter of many charities.

THE RED BOOK

The newly-published 1960 edition of the *List of Members* of The Institute of Chartered Accountants in England and Wales contains full alphabetical and topographical lists of members and their firms revised up to January 1st, 1960. The total membership of the Institute is shown as 32,579, an increase of 1,198 over the previous year. The number in each class of membership at January 1st is shown as follows:

<i>Members in practice within the Metropolis</i>		<i>Increase or decrease on previous year</i>
Fellow	2,525	
Associate	650	
Incorporated accountant member F.S.A.A.	1	
Incorporated accountant member A.S.A.A.	3	3,179 + 24
<i>Members in practice in England or Wales but not within the Metropolis</i>		
Fellow	5,391	
Associate	1,401	
Incorporated accountant member F.S.A.A.	18	
Incorporated accountant member A.S.A.A.	2	6,812 + 140
<i>Members residing in but not practising in England or Wales</i>		
Fellow	8,683	
Associate	8,926	
Incorporated accountant member F.S.A.A.	753	
Incorporated accountant member A.S.A.A.	216	18,578 + 876
<i>Members not residing in England or Wales</i>		
Fellow	1,715	
Associate	1,374	
Incorporated accountant member F.S.A.A.	558	
Incorporated accountant member A.S.A.A.	363	
	4,010	+ 158
Total	<u>32,579</u>	<u>+ 1,198</u>

Distribution to members who have applied for copies is expected to be completed by the middle of April. Copies will be on general sale from April 1st price 15s (post free) and remittances must accompany orders.

STATE GRADUATED PENSIONS

Preservation of Pension Rights for Contracted-out Employees

Draft regulations¹ dealing with the preservation of pension rights for employees who leave their 'contracted-out' job were published last week. The rules for preservation of rights are confined to contracted-out schemes and to the level of pension required for contracting out purposes. In consequence, they do not affect pension rights above the maximum of the National Insurance scheme.

A contracting-out employer may discharge his liability to preserve his employee's rights up to the required standard in one of three ways:

- (1) A right to a pension (whether actually in payment or 'frozen') payable on retirement not later than 65 (60 for women).
- (2) A 'transfer' whereby one contracted-out scheme takes over liability for pension earned in another contracted-out scheme.
- (3) Purchase of rights equivalent to the maximum under the National Insurance Scheme for the period of contracted-out service by means of what is called a 'payment in lieu'. This method is compulsory if neither of the other two methods has been adopted within the time limits set in the regulations. The rates for a payment in lieu are 7s 4d for men and 8s 11d for women for each week of contracted-out employment.

The liability to preserve pension rights arises when an employee's contracted-out employment ends, and the draft regulations lay down alternative rules for settling when this happens, and they require employers to inform the Ministry of all terminations of contracted-out employment and to show that the pension rights have been preserved, within six months of the termination happening; this period may be extended by up to a further twelve months in certain circumstances.

The regulations also lay down as a condition for the acceptance of preservation otherwise than by a 'payment in lieu' that the responsible paying authority has given a certificate showing that an adequate pension has been preserved; and that the employer has given this certificate to the insured person. Where the pension is in the form of a 'frozen' or actual pension ('assured' in the language of the Act) the certificate must be given by the authority, trustees, or insurance company by whom it is or will be paid. Where the pension rights are transferred, the certificate must be given by the authority, trustees, or insurance company responsible for the contracted-out scheme to which transferred, and must show that an appropriate credit in that scheme has been given to the employee.

The regulations, which will substantially complete the structure of rules governing contracting-out, also deal with gaps in contracted-out service and the refund of contributions, and contain provisions avoiding duplicate preservation of rights for periods when a person is simultaneously in two or more contracted-out employments, and minor and consequential provisions.

Any interested persons may submit representations on the draft rules for consideration by the National Insurance Advisory Committee. They should be made in writing and should be sent not later than April 14th, 1960, to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London, WC2.

¹ Draft National Insurance (Non-participation-assurance of equivalent pension rights). Regulations, 1960. H.M.S.O. Price 1s.

AFRICAN JOURNEY

Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, has just returned from a visit to East Africa, Southern Rhodesia and South Africa where he has had talks with leading members of the accountancy profession in those countries.

In particular Mr Hughes attended a meeting of the Council of the East African Society of Accountants in Nairobi, addressed a luncheon meeting of the Transvaal Society of Accountants in Johannesburg and spoke at a similar function given by the Cape Society of Accountants in Cape Town. Mr Hughes also had informal talks with the Vice-President and Registrar of the Rhodesian Society of Accountants in Salisbury, as well as with other personalities in the profession and representatives of the Revenue in East Africa and elsewhere.

LONDON AND DISTRICT SOCIETY OF
CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute on Tuesday, April 5th, at 6 p.m., when Mr R. W. Abbott, F.I.A., A.S.A., will speak on 'The growth of state pensions and their effect on occupational schemes'.

Southend-on-Sea Group

A party of twenty members of the Southend-on-Sea Chartered Accountants' Group together with their ladies, and also articled clerks, visited the Odeon Cinema, Southend-on-Sea, recently, at the invitation of the manager to see an exhibition of accounting machines arranged by four of the leading manufacturers. Afterwards the party saw a film.

ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'Are we missing the mark?' is the title of an address to be given by Mr W. S. Loynes (H.M. Inspector of Taxes) at 6 p.m. next Tuesday, in the Oak Hall of the Institute. Afterwards there will be a short discussion on the teaching of the Bible in relation to points arising from the address.

ANNOTATED TAX CASES

Part 5 of Volume XXXVIII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports with notes on the judgments of the following cases: *Pierson v. Belcher* (Ch.D.); *Fowler v. Wilson* (Ch.D.); *Duple Motor Bodies Ltd v. Ostone* (Ch.D.); *C.I.R. v. Barclays Bank Ltd* (Shipside's Executors) (C.A.); *Abbott v. Philbin* (C.A.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

INSTITUTE OF INTERNAL AUDITORS

East Midlands Chapter

A meeting of the East Midlands Chapter of the Institute of Internal Auditors will be held next Thursday, at the Y.W.C.A., Shakespeare Street, Nottingham, at 7 p.m., when Mr C. H. Sadler, of the National Coal Board, East Midlands Division, will give an address on 'Wages auditing'.

A cordial invitation is extended to interested non-members. The Chapter Secretary is Mr E. V. Aspin, National Coal Board, East Midlands Division, Sherwood Lodge, Arnold, near Nottingham, who will be pleased to supply any further information concerning the activities of the Chapter.

Regional Conference

A regional conference of the United Kingdom Chapters of The Institute of Internal Auditors will be held at *The Cliffs Hotel*, North Promenade, Blackpool, on Thursday and Friday, May 5th and 6th.

The theme of the conference will be 'Industrial progress and what it means to the internal auditor' and the programme is as follows:

Thursday, May 5th

Opening address by Mr J. O. Davies, F.C.A., A.C.W.A., European Regional Vice-President.

Paper I - 'The future pattern of industrial progress', by Mr A. C. Quarterman, A.J.INST.E., Associated Electrical Industries Ltd.

Friday, May 6th

Paper II - 'What management expects from internal audit in the changing pattern of industry', by Professor R. W. Revans, Professor of Industrial Administration, The Manchester College of Science and Technology.

Paper III - 'How industrial progress will affect internal audit', by Mr R. C. Bedford, F.C.A., and Mr S. A. Grimes, A.A.C.C.A., M.O.M.A., National Cash Register Co Ltd.

Open forum.

A limited number of vacancies are open to non-members at a fee of five guineas.

Applications, giving details of company and status and accompanied by remittance should be sent, not later than Saturday, April 9th, to Mr H. C. Booth, F.C.A., divisional chief internal auditor, National Coal Board, 40 Portland Street, Manchester, 1.

THE CHARTERED ACCOUNTANT
STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Wednesday: 7.30 p.m., at Westcliff-on-Sea: Lecture on 'Estate duty', by Mr Glynne Williams, F.C.A., F.T.I.I., Badminton v. Barclays Bank.

Thursday, at Chelmsford: Whole-day course.

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Economic Survey 1960

THIS year's *Economic Survey*¹ gives a clearer indication of the factors which have been uppermost in the mind of THE CHANCELLOR OF THE EXCHEQUER in framing his Budget than for a number of years. It is quite clear from the list of assumptions and targets written into the first part of the *Survey* that there is not going to be much room for manoeuvre in this year's Budget.

The *Survey* states that the country's aim in 1960 must be to achieve a further steady increase in investment and production without damaging the balance of payments position or upsetting price stability. Success will depend, it says, on the maintenance of the right balance between total demand and productive resources, and on vigilance over costs and prices.

During 1960, total fixed investment at home is expected to rise at least as fast as in 1959. There will also be an increase in public spending and a rise in personal consumption is expected. The rate of investment in stocks is not expected to be as much as last year but the import bill may well increase somewhat. Employment is not expected to increase as rapidly as in 1959 (because there is no slack to take up except in certain areas) and therefore the possibility of meeting an increase in the demand for goods in the home market depends primarily on increasing output per head. In the economy as a whole, there are fewer unused resources available than a year ago, so the increase in output per head this year is not likely to be as much as last year. In 1959 this country had a deficit on its balance of payments as a whole because its net investment overseas was larger than the surplus of £145 million earned on current account. This year the total flow of capital abroad will be higher and this is likely to lead again to a deficit on the capital and current account.

It is thus apparent that this country proposes to take risks on its balance of payments in 1960 in order to maintain its recent impressive level of overseas investment. Budget policy must therefore be to establish safeguards at the potentially weak points. These points are the danger of too rapidly rising stocks which will put up the import bill too quickly, rapidly rising costs of production, and a larger demand for goods in the home market than can be spared in the interests of exports.

The key fact this year is that the Government propose taking a calculated risk on the balance of payments and that, in consequence, the means of exerting control at home must be both powerful and readily available. Such a policy can hardly mean significant tax reliefs in the Budget.

¹*Economic Survey 1960*. Cmnd. 976. H.M.S.O. Price 3s.

Schedule E Expenses

THE income tax anomaly which imposes a much more severe restriction of deductible expenses on persons assessed under Schedule E than on those assessed under Schedule D has been under heavy fire ever since the days of *Ricketts v. Colquhoun* (4 A.T.C. 565) when a barrister who held the part-time Recordership of Portsmouth was refused an allowance, against his emoluments, of the expenses of going to Portsmouth. It now transpires, according to the decision of the Court of Appeal in *Mitchell v. Hirstenstein*, as reported in *The Times* of March 25th, that if MR RICKETTS had claimed to deduct those expenses from his professional earnings as a barrister assessed under Schedule D, then they should have been allowed, although they were not allowable against the Recordership earnings assessed under Schedule E.

The case before the Court of Appeal concerned a number of medical specialists who also held part-time offices under the National Health Service. They had appealed against Schedule E assessments on the emoluments of these offices, claiming that such emoluments were part of their general professional receipts and ought to be assessed accordingly. The main object of the appeal was to bring those offices within the more generous Schedule D rules as to deductible expenses. On this aspect of the matter their appeals failed. The Court held that the part-time appointments were indeed offices, so the emoluments fell to be assessed under Schedule E, notwithstanding the fact that the holders took the offices for the purpose of furthering themselves in their professions.

However, the Court of Appeal accepted the appellants' alternative submission that, on the facts, expenses incurred wholly and exclusively for the purposes of those offices were thereby also incurred wholly and exclusively for the purposes of their professions generally, within the meaning of Section 137 (a) of the Income Tax Act, 1952. It followed that in so far as these expenses could not be deducted in arriving at the net amount assessable under Schedule E – either because of the restrictive rules governing Schedule E expenses or because the Schedule E emoluments were inadequate – then the expenses were

deductible from the professional profits assessed under Schedule D. Counsel for the Crown argued in vain that the reference in Section 137 (a) to 'the profession' must be confined to that part of the profession which was assessed under Schedule D. However, his request for leave to appeal to the House of Lords was granted, although with reluctance.

Assuming that the House of Lords affirms this decision, it will be of very considerable importance to a great many people carrying on professions, and not merely barristers and medical men. It is a common thing for a practising accountant to accept an appointment the emoluments of which are assessed under Schedule E; directorships are a case in point. There is, of course, already a so-called 'extra-statutory concession' under which where a directorship is held as part of a professional practice, expenses incurred 'in carrying out his duties' are allowed as deductions in assessing the profits of the practice under Schedule D. Under the same 'concession', 'reasonable expenses' paid to the director by the company are not assessed, provided no claim is made for a deduction under Schedule D. The existence of this concession makes it all the more inexplicable why the Inland Revenue should so strongly resist the eminently reasonable claim of medical men, although, of course, anyone with experience of Inland Revenue negotiations knows that it is always preferable to rely on a legal right rather than on a concession, which may be withdrawn at any time without warning.

It would seem arguable from the decision that a qualified accountant in full-time employment has only to set up a part-time private practice in order to escape the shackles of Schedule E in relation to his claims for expenses. In so far as the profits of the part-time private practice are insufficient to cover the expenses, a claim for loss relief will arise which can be claimed against the Schedule E tax: the profession is the thing, not its arbitrary division by the Income Tax Acts into Schedule D and Schedule E compartments. Perhaps this particular resultant anomaly may be the last straw which induces the Government finally to end the absurd restrictions on Schedule E deductions.

Parliament of Commerce

ONE hundred years ago there met at *Radley's Hotel*, Blackfriars, the representatives of eighteen chambers of commerce who there resolved that it was 'desirable to establish an Association of Chambers of Commerce'. Today the same body, known as the Association of British Chambers of Commerce, has over one hundred affiliated chambers throughout the kingdom and the world. To mark the centenary of its foundation, the Association has published the story of its origins, development and contribution to the history of the past century.¹

By 1860 a national body such as the Association was urgently needed to convey the views of industrialists and merchants to the Government. The tremendous and rapid expansion of industry and trade ushered in by the railway boom of the 1840s had brought many problems—legal and economic—in its train. The bankruptcy and insolvency laws were among the 'most crying and discreditable abuses' of commercial legislation, while the laws relating to patents and trademarks offered inventors and manufacturers no real protection against misuse of their property. As the expanding railway ruined the canals, so the chambers viewed with alarm the emergence of this transport monopoly and urged the Government to control it. 'Anything', declared one chamber member in 1871, 'which will tend to bring the railways to a sense of their responsibility to the public must be advantageous to the country.' As the popularity of limited liability increased, so the Companies Acts cried out for reform. The Chambers agreed that

'no commercial law ever passed in this country has ever contributed so much to the extension of commerce as the 1862 Companies Act, but at the same time no Act ever passed has given rise to so many lawsuits, so many difficulties and so much misery'.

They proposed a Minister of Commerce of Cabinet rank and deputations to GLADSTONE and DISRAELI urged such an appointment. Discussing yet another rebuff from MR GLADSTONE, an ex-president counselled patience since

'MR GLADSTONE would probably not view with favour too strong a dictation on the part of the Association'.

This book records the many diverse topics before the Association's annual meetings. They ranged from a Channel Tunnel in the 1880s and the shortcomings of the administration of the Suez Canal, to the need to open up routes to the China market and to abolish slavery in East Africa. The reader cannot fail to be struck by the modernity of the views expressed on the metric system, on industrial relations and strikes. Above all else, the Association believed in free trade. Yet as foreign competition increased and foreign tariffs rose, its faith weakened. The Association was divided on imperial preference; it advocated the safeguarding of industry after the First World War and retaliation in the early 1930s. Just before the Second World War, however, the Association was urging the revival of free multilateral trade and today supports the move towards European free trade.

By 1914, the Association could look back with pride on its achievements since 1860 and hear with satisfaction THE PERMANENT SECRETARY OF THE BOARD OF TRADE declare that

'the maintenance of a strong, independent, commercial organization is not only desirable, but an absolute necessity under modern conditions'.

The First World War saw a further expansion of the Association and peace again found it discussing problems of rail transport, taxation, and trade. With the growth of Government intervention in economic life, bodies such as the Association have become ever more important. One has only to read accounts of the war and post-war period to realize the scope of Government activity and its impact upon trade and industry.

The Association is to be congratulated on its decision to publish this account of its proceedings during the past century, as are the authors for their skilful and readable treatment of the voluminous material available to them. As the Association embarks upon the second century of its existence, this interesting and thoughtful record will help to explain the achievement of its founders and give a new stimulus to present members to live up to their past.

¹ *Parliament of Commerce*. by A. R. Hiersic, B.Com., M.Sc. (Econ.), and P. F. B. Liddle, B.A.(Hons.), published for the A.B.C.C. by Newman Neame Ltd, London, 30s net.

Production Planning for Computers

by J. W. MITCHELL, A.C.A.

THE principles outlined in this article apply equally to a department within an organization, as to computer service bureaux, whether operated as general centres for the public or reserved for specified business, i.e. a service centre operated by a holding company for its subsidiaries, or by the management of an industrial estate for the use of its tenants.

Management are apt to regard the computer as just another piece of office equipment. This view is backed up by referring to a computer centre as an 'automatic office'. The staff, albeit highly paid, are treated as clerical personnel, and normal office hours are worked. Electronic machines costing thousands of pounds are under-employed and played with in the office, and yet, were a machine worth a fraction of the cost to be installed in a factory, every effort would be made to ensure maximum utilization. This attitude on the part of management is illogical and doubtless could be corrected were the computer to be regarded as data processing plant. The computer should be organized and controlled along 'factory' lines to ensure maximum efficiency and output.

Full Computer Department Utilization

Any piece of machinery has a capacity of 168 hours work a week. A computer, in its essence, requires a considerable amount of routine preventive maintenance, i.e., running the computer under artificial conditions so as to precipitate any failures likely to occur. The routine maintenance will occupy from five to twenty-eight hours, leaving at least 140 hours available for routine operations which, divided among three operational shifts working forty-four hours weekly, still leaves some eight hours spare time. If forty hours processing time is aimed at for each shift, a reasonable percentage of shift time is available for absorption of maintenance due to breakdown during processing. If this time is insufficient, the additional eight hours can be utilized in enabling the centre to catch up when operations are resumed.

Undoubtedly, programmers will work only on the day shift and access to the computer during this shift must be granted them for debugging¹ purposes. Obviously, a certain period of time

should be allocated for this purpose, the programmers not being allowed, as sometimes happens, to walk in and monopolize the computer at will. These times must be adhered to. Night shifts on the computer should be restricted to routine processing on proven programmes.

Departmental Costs

The costs of a computer department should be calculated accurately. In this connection, it is advisable when installing a computer to set it up as an independent department within the organization, charging other departments for its work. This will serve a twofold purpose. Management will be enabled, by comparing its charges with the expense of operation, to ensure that the computer department operates profitably, and departmental managers will be able to assess the benefits to their departments in reduced overhead expenses after meeting computer department charges.

Charges for the computer department's services should be based on the equipment used and time occupied. Obviously, an overall charge, relative to central computer time, would be inequitable when some departments prepare their own punched cards or other media, and others have theirs prepared by the computer department. These peripheral operations must be charged for separately, and should not be lumped together into a general charge.

A further difficulty is the apportionment of charges. Often, it is found that work currently carried out in three or four departments is more economically treated as a single computer run. In such cases, charges for work must be apportioned among the departments. An equitable charge will inevitably have to be settled on the merits of each individual case.

A further difficulty which needs to be overcome concerns parallel operation. Obviously, if four magnetic tape units are left standing idle during a computer run, a sort-routine, using these, could be run in parallel. This would be preferable to its being carried out as a separate routine at a later time. The basis of apportionment of charges is difficult here, especially as both routines are unlikely to occupy a similar length of time on the computer. It is suggested that both routines should be charged to the appropriate departments at the full rate, as any apportionment would

¹ 'Debugging'—the checking and test-running of a computer and/or programme to trace and eliminate any mistakes in the coding.

inevitably have to be calculated on a time basis, every time the runs are processed. The value of the work processed is the same, whether or not the computer is time-shared by the runs, and the profit accretion rightly belongs to the computer department for its skill in programming and work planning. In some of the larger computers (wherein several programmes always time-share the memory), the hourly charge should be rated to take into account the expected number of programmes against the equipment value.

Consideration should be paid to peripheral equipment – a considerable amount of which has often to be held. Some of it, such as card punches and sorters, might be permanently in use, requiring a reasonable charge and necessitating time planning to ensure all work being effected with minimum interruption at a suitable timing to fit in with the computer's operations. Here again, in many cases, preparatory work (such as card-punching) might be carried out as a by-product of external operations.

Computer Usage Planning

When factory production is planned, massive wall charts showing job progress, machine load planning, etc., are prepared, adjustments being made daily from the production records, orders received, etc. Yet, in only a small percentage of computer departments, do we find any attempt at similar throughput control, and even then, it is very often a blackboard or a sheet of paper on which is marked out a week's working. No attempt is made to adhere to these plans so long as work is being put through. Similarly, with the possible exception of payrolls, no attempt is made to reach any date or time limit, largely perhaps, because the managers of data processing departments know that the work cannot be taken elsewhere for processing, owing to programming and other difficulties. Accordingly, they do not attempt to provide the services other organizations find essential. However, with the advent of automatic programming and the production of cheaper and more efficient computers, this state of affairs is unlikely to continue indefinitely. The computer department, properly organized, will be in a better position to meet the demands which the future will undoubtedly make, notwithstanding the ever-increasing army of computer users.

The first part of computer usage planning one should consider is shift operation; maintenance time related to operation time should follow. The computer should preferably operate three shifts each day, but this may well prove un-

economic owing to the cost of staffing the third shift as opposed to operating two shifts and carrying out routine maintenance in non-shift time. For instance, if two eight-hour shifts are operated, and three hours preventive maintenance in non-shift time is required, the computer is effectively occupied for nineteen hours each day. The introduction of a third shift, requiring an extra hour for routine maintenance, would provide only a further four hours data processing time. At the same time, were a major breakdown to delay the centre activities, there would be little time available for absorbing delayed work. The imbued aversion of office workers to shift-working has also to be overcome, even though the computer ought to be regarded as a productive plant.

The staffing of the department should be arranged so that the majority of the staff are on duty for the main day shift. This shift can then be used for complicated and short-run programmes, debugging, and data preparation, etc. The other shifts should be used for routine processing on proven programmes, preferably in longish runs, enabling the computer to remain fully occupied, whilst at the same time only a minimum staff are employed.

Planning in connection with operator staff and hours for maintenance can be built up round this framework. This will also help with staggering working hours, and comfortable travel for the staff will result therefrom.

Adjustable wall charts showing equipment and staff available, work to be done, load planning for computer and peripheral equipment, etc., should be provided as for other productive units.

Computer Running Time

Machine time for different runs can be set up in advance, based on experience of the run and making allowances for seasonal fluctuations and breakdown. At the same time as computer time is planned, debugging time for new programmes can be tied in between the 'bread-and-butter' runs occupying the department. This is important, as debugging can then be planned so as to ensure the programme will be cleared to meet the deadline date on which it has to be in operation. This format must be made if a reasonable service is to be provided, without the weeks of unexpected delays which always seem to occur when a new programme is being prepared.

A further point of importance is that when charts are used and breakdown does occur during production time, adjustments can be made to the charts and planned usage so that the

effect of the delay is effectively reduced and all work is produced as far as possible to the required dates. In effect, non-routine maintenance occupies only about 2 per cent of computer time, this often being absorbed in routine maintenance periods. However, occasionally a breakdown may take several hours to trace and rectify. This entails considerable replanning of time and, possibly, the usage of emergency routines or manual processing to get the work through on time. The emergency routines must be well planned to come into operation at a moment's notice, and should be periodically checked to ensure that they can be operated by the staff in the time. Recovery routines (for reverting to computer processing after a manual spell) should also be well proven.

If a breakdown occurs in any of the off-line peripheral equipment, it should be comparatively simple to re-route the work through the remaining peripheral equipment from the information on the planning chart, without rushing round the office pulling clerks off one job and starting them on another to push data through for processing at the last moment, as so often happens.

In the same way, by providing a time budget for the work on the computer, adjustment of the charts as the work is actually completed will readily indicate other work to be rebudgeted for preparation purposes etc., to tie in with the new time figures. Similarly, if, due to a rush of work, the amount of data to be processed causes delays, the adjustment and rebudgeting of work will be facilitated.

Time Study and Equipment Layout

The completion of log-books and time registers for the various items of equipment will enable a time study system to be produced, resulting in the most profitable utilization of available equipment. It should then be possible to arrive at a basic costing system for use with standard job-costing techniques in establishing day-to-day records of the equipment's use, together with a reliable basis for cost budgeting. Allied with information about available equipment and expected expansion, the costing can be used for providing estimates for future possible users and, on long-term fixed contracts not charged on a time basis, for establishing contract profitability.

This time study, together with motion study, could be profitably applied in most data processing centres, and extended to the equipment layout which often leaves much to be desired. All too often equipment is pushed into any available space, without any thought being paid to a logical flow of media from one piece of

equipment to the next. The storage cupboards for cards and tapes are tucked away in odd corners or in other offices, and the only visible sign of any planning may be that the computer is arranged to be visible from a visitors' gallery. Even where a new building is being built wherein the computer will be installed, it is quite common to find that no apparent attention has been paid to important details. It is not unknown for the provision of false floors and headroom (for air conditioning plant) to be overlooked in a new building designed for housing a computer.

Computer time can be gauged and charted fairly accurately for management and control purposes. When back records are built up, seasonal fluctuations can be taken into account. However, it must be realized that in planning, not all data is processed on a regular daily or weekly basis. Certain runs are executed only monthly, quarterly or even annually. At these times the runs have to be carefully fitted in with the rest of the data processing so as not to disturb the regular flow of work from the normal daily processing, whilst at the same time producing the 'period' results as soon as possible after the end of the period.

Conclusion

Management will readily realize the benefits accruing from the institution of a proper system of time forecasting and control, and the provision of costing and other records of the department's work along lines similar to those employed for manufacturing purposes. In this connection, a control office, resembling a factory production office, should be established, provided with proper work planning equipment whereby it may be enabled to carry out work as expeditiously as possible. The department should be run not purely along production lines, but also as a profit-making unit in its own right. Its services to users should more than cover the costs of operating the department, including equipment write-off. Users should similarly be able to show a profit from the reduction in stationery and clerical costs etc., as compared with the department's charge. Accurate forecasting and control are essential to achieve these results, any haphazard planning inevitably reacting detrimentally.

It should be remembered that the computer, besides providing proper office control etc., can be used for production control and load planning. Planning and control of the department itself, particularly with regard to linear programming for the usage of the peripheral equipment, can be relegated to the computer.

Weekly Notes

The Scottish Institute's New President

MR ALEXANDER McKELLAR, C.A., was elected President of The Institute of Chartered Accountants of Scotland for the year 1960-61 at the Institute's annual meeting in Edinburgh last Wednesday.



Mr McKellar was born, educated and served his apprenticeship in Glasgow. He had a distinguished scholastic career, being *Dux* of Eastbank Academy, and during his apprenticeship he gained prizes both in the Intermediate and Final test examinations.

He was also a student in the first year in which, under Professor Loudon, there was a University Accounting Class in Glasgow, and he gained first prize in that year. After passing his Final examination in May 1927, Mr McKellar joined the staff of David Strathie & Co, Chartered Accountants, of Glasgow, and has been a partner in that firm since 1930.

Mr McKellar has always shown a keen interest in the training and education of apprentices and from 1933 to 1944 was senior assistant in the Accounting Department at Glasgow University. From 1944 to 1955 he was lecturer in the Advanced Accounting Class at the Institute in Glasgow and was also, for a period, external examiner in accounting and business methods at Edinburgh University.

Apart from his professional practice, Mr McKellar holds directorships in companies in the United Kingdom and in South Africa and pays regular visits on business to the latter country. He has served on the Scottish Building Costs Committee and on the Scottish Leases Committee and is, at present, a member of the Cumbernauld Development Corporation.

During the war, he held a part-time R.N.V.R. commission and was closely associated with the Sea Cadet movement in Glasgow.

The new Vice-President is Mr Graham A. Usher, M.B.E. (MIL.), T.D., C.A. He was admitted to membership of The Society of Accountants in Edinburgh in 1924 and is now senior partner in the firm of Richard Brown & Co, Chartered Accountants, of Edinburgh.

A report of the annual meeting appears elsewhere in this issue.

The Building Societies Bill

THE Building Societies Bill goes a good deal further than was generally expected; it has sixty-five clauses and five schedules, and runs to some fifty-two pages. Most of the provisions are directed to supervision of societies and the publication of information, and in this field the twin pivots are the Registrar and the practising accountant acting as auditor. One of the main criticisms of the existing system is that while all societies are given special privileges, and are lent money, on the footing that they carry out the laudable task of assisting people in modest circumstances to own their own homes, some societies have used the money, or an excessive part of it, in financing companies in which the directors were interested. Clause 1 of the Bill strictly limits what it calls 'special advances', namely, advances to bodies corporate, and advances to other persons exceeding £5,000. Generally these are restricted to 10 per cent of the new advances, with a possible extension at the discretion of the Registrar where advances are made for the building of houses for letting. If the existing special advances exceed 25 per cent of the total, the society may not make special advances at all.

Much of the Bill is devoted to assimilating building society law to company law in the matter of publicity and accounts. Every building society is to keep proper books of account necessary to give a true and fair view of the state of the affairs of the society and to explain its transactions, as in the case of companies. However, the clause goes much further: societies must also establish and maintain a system of control and inspection of their books and a system for supervising their cash, receipts and remittances. Each must also establish and maintain a system to ensure safe custody of deeds of mortgaged property. Clause 34 requires accounts to be laid before annual meetings and clause 35 gives the Registrar power to lay down regulations as to the matters to be contained in them. Clause 38 requires an annual directors' report, containing detailed information about advances during the year. Clause 40 requires an auditor's report on the accounts, the report to contain details to ensure that the persons reading the report are in no doubt as to whether the new requirements of the law have been met. Clauses 41 and 42 give an auditor a like security of tenure as he has under the Companies Act, and clause 43 lays down the same professional qualifications. Clauses 45 and 46 provide for a detailed annual return from each society, with the auditor's report on it; the return to contain details to be prescribed by the Registrar.

The Bill bristles with penalties which are much more severe than those contained in existing legislation.

Estate Duty: Two Views

A FIFTEEN-PAGE pamphlet recently published by the National Union of Manufacturers bears the arresting title of *The Scandal of Death Duties*. A foreword to it alleges that in the last few years small

firms have been forced out of business at a rate of something like 500 a year and goes on to say that the 'harsh and illogical result of the death duties' has been to bring ruin to many a progressive business, although it does not say how many of the 500 disappearances a year are the result of death duties. The foreword ends by saying, quite rightly, that there is a wide and distinguished body of opinion in favour of the drastic reform of death duties.

The body of the pamphlet is devoted to a very vigorous attack on estate duty, on its complexity and on its harshness. Some isolated examples are given of businesses closing down on the death of the leading shareholder and stress is laid on the fact that most estates paying duty are very small in amount. Of course such estates pay a correspondingly small amount of duty. The pamphlet closes with a call for simplification and modernity in the legislation.

Writing in *The Observer* of March 27th, Mr Andrew Schonfield, the economic editor, attacks estate duty on somewhat different grounds; he apparently thinks that not enough duty is collected. He points out that while the national income has increased by about 80 per cent over the last ten years, the yield of estate duty is slightly less than it was ten years ago. 'Plainly,' he says, 'this tax has been shot so full of legal holes that it is no longer fulfilling its original purpose efficiently', and he stigmatizes the duty as 'a tax on distrustful parents'. Mr Schonfield says that a 'better designed tax would almost certainly yield some tens of millions of additional revenue'.

The General Post Office Ltd

THE Post Office is to be put on a proper business footing comparable, in large measure, with any other large commercial enterprise. This is the essence of a White Paper¹ published last Tuesday, containing proposals on which legislation is to be introduced in the next Parliamentary session. The G.P.O. will, however, remain a Government department with its staff as Civil Servants under the jurisdiction of the Treasury, and the Treasury will also maintain control of investment and foreign exchange.

Although in recent years the Post Office has issued annual commercial accounts, it is at present required to prepare annual estimates of its cash needs and to ensure that its funds are spent as voted by Parliament, in the same way as in any other Government department. This procedure the Government now considers to be inappropriate to a trading department since 'it gives no indication of the profitability or otherwise of the services financed by the expenditure. Neither does it show the assets and liabilities of the business'.

It is some twenty-eight years since the publication of the report of the Bridgman Committee, of which Lord Plender was a member, which was appointed to 'inquire and report as to whether any changes in the constitution, status or system of organization of the Post Office would be in the public interest'. The

committee had little fault to find with the standard of services provided by the Post Office in those days, but it did advocate that the department should be appreciably freed from the control of the Treasury. At long last it seems that this reform is within touching distance.

O.T.C. Provisions Criticized

THE relief provisions for overseas trade corporations enacted in 1957 do not go as far as the Royal Commission on the Taxation of Trading Profits and Income had recommended. In particular, where an overseas trade corporation has an overseas branch, the profits of that branch are not taxed unless and until distributed in dividend, whereas, if the overseas trade corporation carries on trade through an overseas subsidiary company, then profits paid over to the overseas trade corporation by the subsidiary in the form of dividends lose their immunity from British tax, even though they are not distributed to shareholders, and even where they are ploughed back by being remitted to another overseas subsidiary. These comments were made last week by Sir Duncan Oppenheim, chairman of the British-American Tobacco Co Ltd, at the company's annual meeting.

Sir Duncan said that it was important that United Kingdom enterprises operating through overseas subsidiaries should be able to receive dividends and other income therefrom for purposes of reinvestment elsewhere, without the intervening burden of United Kingdom tax. This, he said, would help to encourage investment in the less developed countries of the world. It could also, of course, facilitate the withdrawal of funds from under-developed countries for investment in more developed countries.

The anomaly, said Sir Duncan, had been maintained in order to counter avoidance devices. However, as a result of recent discussions between the main bodies representing industry and commerce and the Inland Revenue, specific proposals had been put forward which it was hoped would enable the Chancellor to overcome the difficulties in this respect. Overseas rates of tax had gone up, while United Kingdom rates had gone down, so the concession would not cost very much. He hoped therefore that the Chancellor would tackle this anomaly, as well as modifying Section 468 of the Income Tax Act, 1952, in next Monday's Budget.

Progress Towards the 'Giro' System

PROGRESS towards an English 'giro' continues. The clearing banks have now announced that on April 20th a credit clearing will be established which will deal with credits passing from bank to bank (and of course from branch to branch) as the cheque clearing now deals with cheques. The setting up of a credit clearing does not provide any new service for the public, for all the payments it is designed to handle can already be made through the banking system. What it will do is to make the transfers substantially easier for the banks to handle, and it is

¹ *The Status of the Post Office*. Cmnd. 989. H.M.S.O. 6d.

to be presumed that when it is in good running order the banks individually will begin to encourage the use of inter-bank and inter-branch transfers, a thing they have hitherto been notably reluctant to do.

The credit clearing will at first take traders' credit and standing order payments (it will be remembered that an earlier announcement promised a renaming of 'traders' credits', but this has not come yet). Later it will take also 'customers' credits' – the credits paid in by customers for their accounts at other branches; these include a large number of branch shop credits. The final stage will come when what the banks call 'third party credits' are passed through the credit clearing; these include especially hire-purchase and building society payments. The clearing bank announcement gives no information about the probable charge for these various transfers and indeed these are likely to be left to individual negotiation between bank and customer, like existing English bank charges.

According to the earlier bank announcement, the banks will now be setting themselves to consider, in the light of the evidence before the Radcliffe Committee, whether any further action is called for that might take them nearer still to the continental giro system. An expansion of the traders' credit scheme combined with a full development of third party payments will certainly provide much of the substance of the giro. It remains to be decided whether it can be made as simple, as cheap and as accessible as some of the giros are reported to be.

A Gilt-edged Review

GILT-EDGED may be the neglected poor relation of the booming stock-markets at present but its historians, at any rate, remain shinningly faithful. The eminent firm of stockbrokers which issues for private circulation a continuous record of the fortunes of British Government securities in this century has just produced another supplement which brings the chronicle down to the end of 1959. This act of piety – and wit, for each supplement carries a shrewd and sparkling preface – constitutes an authoritative work of reference, tabulating prices and redemption yields of all quoted stocks and giving full particulars of non-quoted securities ranging from the staid series of Defence Bonds, in all their various stages of conversion, to the new and comparatively skittish Premium Bonds. The information, however, does not end here. There are sections on the analysis of the National Debt, the published holdings of the National Debt Commissioners, comparisons of national revenue and expenditure, the Sinking Funds and tables relating yields and values of quoted gilt-edged stocks to changes in Bank rate over the past decade.

The compilers, in their preface, deal severely with the often expressed notion that holders of 5 per cent War Loan who, in 1932, converted it into 3½ per cent War Loan 'as an act of patriotism' have been harshly

treated. Nearly £1,910 million of this stock is outstanding and the present price is around 65. It is pointed out, however, that in one only of the first seventeen years of its existence in its new form did the price fall below 100, so that holders of the stock had ample time to turn 'a patriotic gesture to capital advantage'.

Developments in Management Education

IN a notice circulated to local education authorities this week, the Minister of Education, Sir David Eccles, gives details of impending radical changes in the present arrangements for business studies and management training. Derived mainly from the report of a working party set up by the Joint (Examinations) Executive Committee for Management Studies these comprise a new diploma in management studies, two new 'National Certificates in Business Studies', and the establishment of an advisory council on all matters connected with management education.

The Minister is of the opinion that management education, as a subject, should be upgraded and that this can only be done by making it an advanced study appropriate for graduates and professionally qualified men and women with commercial or industrial experience. The new diploma will be awarded, not before the age of 26, to students who, starting at not less than 23, take a course of study which may be full-time (up to one year) or part-time (three years) or a combination of both. Students will normally require a preliminary qualification in the form of a degree, a diploma in technology or an equivalent professional qualification although, in certain circumstances, substantial practical experience will suffice.

The two new National Certificates in Business Studies – one at higher and the other at ordinary level – will supersede the present Intermediate Certificate in Management Studies and the Higher National Certificate in Commerce. The part-time courses for the higher certificate will be of two years' duration and there will be no minimum starting age limit. It is intended that both certificates should be of such a standard as to constitute valuable qualifications in their own right.

The new advisory council, to be appointed by the Minister of Education, the Secretary of State for Scotland, and the Minister of Education for Northern Ireland, will consist of representatives from the universities and other educational institutions, industry and the professions, and its function will be to keep under review the whole field of management training and business studies.

Schedule A on Owner-occupiers

THE Conservative and Unionist Party has added the weight of its own advocacy to the suggestion made in so many quarters that owner-occupiers of property should not pay income tax on the annual value of their occupation, and that rents should be wholly transferred to Schedule D.

Duke of Edinburgh at Scottish Institute Luncheon

THE DUKE OF EDINBURGH was the guest of honour at a luncheon given by the Scottish Institute in Edinburgh when the Duke visited that City on Thursday of last week.

Proposing the toast of 'The Institute of Chartered Accountants of Scotland', His Royal Highness said:

'In 1954, I was very kindly invited to take part in the centenary celebrations of the Institute. Unfortunately, I was unable to attend and so may I now, only a matter of six years later – and what is six years in a hundred – offer the Institute my congratulations on achieving such a great and venerable age, and wish it and all its members all good fortune for the future.

'I confess that I am sometimes amazed by the way fact catches up with what one had previously dismissed as fiction. I find it almost too good to be true that The Institute of Chartered Accountants of Scotland should be the oldest Institute of its kind in the world. Apparently there is some justification for the music-hall jokes after all!

Remarkable Development of Chartered Accountancy

'However, the mere fact that every civilized country in the world has followed your example, only goes to show the value which sensible business men everywhere put on that particularly Scottish characteristic.

'There cannot be many professions which, having started from relatively humble beginnings, have spread and developed in such a remarkable way as chartered accountancy. It would be no exaggeration to say that the wheels of commerce and industry would very soon grind to a chaotic halt if they were denied the services of chartered accountants.

'Not perhaps so much from the purely book-keeping point of view but particularly from the point of view of what I would like to describe as the experienced cunning and intelligent ingenuity (*laughter*) of the really successful members of the profession.

'I am therefore particularly interested to see that it is just that side of the professional qualifications which are to be encouraged by the new system of attendance at the university.

'In my opinion, the fact that this Institute is leading the way in demanding a year's full-time university study is a much more suitable matter for pride than the antiquity of the Institute. Age accumulates of its own accord but a progressive outlook has to struggle against sentimental antiquarianism.

Liberal Attitude to Professional Education

'This matter of the education and examination of your members is really the crux of the whole matter. The membership of the Institute is 6,579 but, as far as I can make out, only about 2,500 are in practice in partnership or in firms of accountants. The rest – the majority in fact – are at work in management of industry and commerce. That is why a liberal attitude

towards the education of apprentices is so important. Without it, you may make them into competent accountants, but they will not be prepared to undertake the responsibilities of industrial and commercial administration, or the many particular services which the profession has to offer.

'Gentlemen, I am most grateful to you to have your invitation to lunch today, and in particular to pay my respects to one of the great professional institutes in Scotland. I give you the toast of The Institute of Chartered Accountants of Scotland and Mr Thomas Lister, the President.'

The President's Response

Mr Thomas Lister, M.A., C.A., replying, said that not only the Institute's members gathered in the room, but members all over the world were deeply grateful for the honour which the Duke had conferred on them by his presence at the luncheon.

'We have already sent to H.M. the Queen a loyal address, conveying the congratulations of the Institute on the birth of the infant Prince. But we are glad to have the opportunity of expressing once again, and in a less formal way, our pleasure at such a happy event and wishing for Her Majesty and yourself, sir, and for Prince Andrew, long life and happiness.'

Thanking the Duke for the generous terms of his toast to the Institute, Mr Lister added that it had been delivered in a very happy and witty manner. He went on:

'It is impossible to look around one in this city without being constantly reminded of its long history. By comparison with the city itself, the university, and indeed the many experienced and professional bodies in Scotland, our history is a short one. But if so, we have had handed on to us by our predecessors in Edinburgh, Aberdeen and elsewhere, a tradition of which we are entitled to be proud, and standards which it is our task to maintain.'

Mr Lister said he fully realized the importance of the task. The Duke had reminded them that it could not be performed merely by looking backwards in admiration. The Institute had to look forward and strive to see that its members were fitted for and ready to face the increasingly complex pattern of life today and tomorrow.

'That underlies our new syllabus of which a year's full-time study is part, but only a part. We are looking forward to providing chartered accountants – Scottish chartered accountants – of the future with the equipment to face their professional tasks, who will not merely be second to none but until someone else catches up, superior to that offered by any other body in our profession.

'You have indicated, sir,' he told the Duke, 'that there is room for men with proper accountants' training in industry, and indeed our members are to be

found in occupations of all kinds. Many come to take our qualifications as a preparation for some other field of labour in the future.'

Amid laughter, Mr Lister added: 'If Prince Andrew feels, a little later, that a proper accountant's training would be a part of the preparation for life, I am sure, sir, you will express to him - and it is hardly necessary with such a name - that there is only one body of which he could ever consider seeking membership.'

Mr Lister said that advances were taking place in the application of mechanical and electrical devices to the routine processes of accountancy. New techniques of costing were being developed. The significance of the changes in the value of money was increasing in modern conditions and more and more it was being demanded that account-

ants should serve the purpose of economists as well as of the investor.

These changes raised fresh problems or presented old ones in a new way. It was not surprising that sometimes there were conflicts of view between the traditionalists and those who, like the Athenians of old, spent their time in nothing else but telling or hearing some new thing.

Expressing the Institute's gratitude to the Duke, Mr Lister said he hoped that His Royal Highness might find it possible to pay another visit at some time.

The Company

Among the distinguished guests present were:

The Rt. Hon. Sir Ian A. Johnston-Gilbert, C.B.E. (*Lord Provost of Edinburgh*); Sir John L.



The Duke of Edinburgh being introduced to members of the Institute by the President, Mr Thomas Lister, M.A., C.A. Right to left: Mr J. S. Wilson, C.A. (*London*); Mr David H. Taylor, M.A., C.A. (*Glasgow*); Mr J. C. Stewart, C.A. (*Glasgow*); Mr J. M. Ritchie, C.A. (*Edinburgh*); and, partially obscured, Mr Stanley N. Rae, M.C., T.D., C.A. (*Dundee*), and Mr W. L. Milligan, B.A., C.A., J.P. (*Edinburgh*).

Somerville, C.A. (*a Past-President*); Sir Ian F. C. Bolton, Bt., K.B.E., H.M.L., C.A., J.P. (*a Past-President*); Mr R. Ian Marshall, C.A. (*a Past-President*); Mr G. I. Stewart, C.B.E., M.C., C.A. (*a Past-President*); Mr James T. Dowling, C.A. (*a Past-President*); Squadron Leader John Severne, A.F.C. (*Equerry to the Duke of Edinburgh*); Mr E. H. V. McDougall

(*Secretary of the Institute*); Mr Graham A. Usher, M.B.E.(MIL.), T.D., C.A., together with Professor D. S. Anderson, C.A. (*Professor of Accounting and Business Method, University of Edinburgh*), Professor Robert Browning, M.A., LL.B., C.A. (*Professor of Accountancy, University of Glasgow*), and members of the Council of the Institute.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

NEW ZEALAND

Economic Growth Too Slow

NEW ZEALAND is not expanding as fast as are some countries. Such was the problem posed by Sir Douglas Copland last Tuesday at a public session during the Jubilee Convention of the New Zealand Society of Accountants in Wellington, when he delivered an address on 'Economic problems for New Zealand in an expanding world'. The subjects of the other sessions at the Convention were reviewed in *The Accountant* of March 19th.



Sir Douglas Copland

Sir Douglas said that there were four impediments to New Zealand's growth. First, there was heavy dependence on a few primary exports. Second, the country's propensity to import was high and this, accompanied by a tradition of import licensing rather than tariffs and variations in the rate of exchange, meant that the country probably had one of the most over-valued currencies in the Western economy. Third, private savings were too low to sustain a high rate of growth. Fourth, taxation was high but little of it was channelled to capital development. Lastly, the country had clung too long to a limited range of exports.

To put these matters right, Sir Douglas said that a basic plan was necessary. New Zealand's tradition as an export country should stand it in good stead at a time when world trade should increase along with world population. There must, however, be a long-term plan for co-operation between public and private enterprise to promote economic growth. This should be based on raising the ratio of investment to gross national product from the present 22 per cent to nearer 30 per cent. This would involve surveying the openings for investment, considering sources from which funds might be available and the

mobilization of a more skilled labour force, if necessary by relaxing immigration regulations against non-British stock.

Sir Douglas concluded by saying that economic statecraft in the modern world must be based on growth. Those who feared it or entertained doubts about the risks involved would be left behind.

Professional Specialism

SPECIALIZATION is becoming an increasingly significant factor in the accountancy profession, said Mr R. G. Stark, M.B.E., B.COM., F.P.A.N.Z., in the course of his presidential address at the annual general meeting of The New Zealand Society of Accountants in Wellington last Monday.

He said the Society would be failing in its duty if it did not do everything possible to foster in every way advances in accountancy knowledge and practice in whatever direction they may lead. The alternative – an attitude of indifference to developments which might be retarded but never stopped – was inconceivable. If the greatest advance in accountancy knowledge can be made through a concentration of activity, then it was their bounden duty, said Mr Stark, to encourage this development, in the same way as it has been encouraged in the medical profession of which it has become a permanent feature.

Mr Stark referred, in particular, to management consultancy, saying that there was scope for management advisory services in every practice, as well as a place for the specialist. He also referred to the proposed affiliation – something new in the accountancy world – with The Society of the New Zealand Institute of Cost Accountants, which he described as 'a small but active body enthusiastically sponsoring the specialist field of cost accountancy'. It appears that it is intended that the Society should assume administrative control and final responsibility for all the Institute's activities, 'thereby ensuring a co-ordinated policy for the entire profession', while the Institute continues as a separate entity. Details of the basis of this unique arrangement have yet to be received. Over 90 per cent of those who responded in a referendum, favour the scheme, negotiations on which are continuing. It is hoped to implement the scheme later in the year.

AUSTRALIA**Ethics of the Profession**

IN his 1959 annual report, Mr J. W. Peden, President of The Institute of Chartered Accountants in Australia, announced that the Council was to cease publication of its pamphlet, *Ethics of the Profession*, first printed in 1940 when the then Council codified the ethical rulings of earlier Councils. From time to time these published rulings have been amended and supplemented for the general guidance of members, but they had come to be looked upon by some as a complete 'code' of ethical behaviour—the guiding statements in the foreword having been passed over.

Mainly for this reason, therefore, publication of the pamphlet has been discontinued, though the principles underlying each ruling will still stand. The two publications which the Institute recommends for ethical reference are: *The Accountant in Public Practice*, by K. L. Milne, F.C.A., and *Professional Ethics of the Chartered Accountant in Australia*, by H. W. Chancellor, F.C.A. Both these works are now prescribed by the Examination Committee as suggested reading for Final examination candidates in the new subject 'Professional practice' which comes into the syllabus in October 1960.

UNITED STATES**American Institute's Research Projects**

THE American Institute of Certified Public Accountants has appointed as from July 1st next Dr Maurice Moonitz, C.P.A., as director of its expanded accounting research programme which is aimed at narrowing areas of difference and inconsistency in financial reporting.

The accounting research division of the American Institute has already begun the investigation of a number of topics, the results of which are in due course expected to be published as 'accounting research studies' by the Director of Accounting Research and will form the basis of formal pronouncements by the Accounting Principles Board. Anyone interested is invited to submit material for the use of the research staff; correspondence relating to the studies should be addressed to the Director of Accounting Research, American Institute of Certified Public Accountants, 270 Madison Avenue, New York, 16, N.Y. The projects now under way are:

Basic Postulates and Broad Principles of Accounting

The report of the special committee on research programme approved by the Council of the American Institute in April 1959, contained the following comments on this project:

'An immediate project of the accounting research staff should be a study of the basic postulates underlying accounting principles generally, and the preparation of a brief statement thereof. . . . Postulates are few in number and are the basic assumption on which principles rest. They necessarily are derived from the economic and political environment and from the modes of thought and customs of all segments of the business community. The profession, however,

should make clear its understanding and interpretation of what they are, to provide a meaningful foundation for the formulation of principles and development of rules or other guides for the application of principles in specific situations. Also, the Institute should encourage co-operative study with other representative groups to determine that its understanding and interpretation of the postulates are valid and to provide a forum which will command sufficient respect to bring about a change in the postulates when any of them become outmoded.

'There should be also a study of the broad principles of accounting, and the preparation of a reasonably condensed statement thereof. . . . The results of these, as adopted by the (Accounting Principles) Board, should serve as the foundation for the entire body of future pronouncements by the Institute on accounting matters, to which each new release should be related.'

Accounting for Income Taxes

Several statements and recommendations on this subject have been made in the past by the American Institute. Particular attention will now be paid to the problems of income tax allocation among accounting periods where certain transactions reported on the income tax return are reflected in an earlier or later period on the financial statements. The study will include the treatment of loss years, allocation among sections of the financial statements, the handling of net operating loss, carry-back and carry-forward adjustments, and other related problems.

Accounting for Leases

The Institute's existing pronouncement on 'disclosure of long-term leases in financial statements of lessees' will be reviewed as a part of the new study.

Particular attention will be paid to the problems associated with the increased use of equipment leases and of sale-and-lease-back arrangements, and to the possibility of capitalizing future rental payments for financial statement purposes. The matter will be considered from the standpoints of both the lessee and the lessor.

Business Combinations

The provisions of a previous research bulletin on this topic will be reviewed as a part of the new study, and particular attention will be paid to the 'pooling-of-interests' approach to the problem; a survey will be made of the experience with this type of combination in recent years.

FRANCE**The 'Heavy' Franc**

DECREE No. 59-1450 laid down the conditions governing the introduction on January 1st of the new 'heavy' franc in place of the former monetary unit. In order to distinguish the new francs from the old, they are symbolized 'NF' instead of 'F'. New coins of 1 centime, 2 centimes, 5 centimes, 10 centimes, 20 centimes, 50 centimes and 1 franc are now minted of which the first three are stainless steel and the last three, aluminium. The steel coins and the aluminium coins up to 50 centimes contain some copper and the 1 franc coin contains some nickel. There are also 2-franc and 5-franc coins of a silver/copper alloy, and 10-franc, 50-franc and 100-

franc notes. Coins from 1 to 50 centimes have smooth edges; 1-franc and 2-franc pieces have milled-edges, while the 5-franc coin has the words 'Liberte, Egalite, Fraternite' engraved on the edge.

The old currency – both coin and paper – are to continue in circulation with a value of one-hundredth

of their nominal amount, until withdrawn by Ministerial order.

All payments which were previously permitted to be rounded off to the nearest franc are now required to be rounded off to the nearest centime. This applies also to book-keeping entries.

This is My Life . . .

by An Industrious Accountant

CHAPTER 18

YESTERDAY morning, a sharp tap on my door was followed by the otherwise unannounced entrance of that redoubtable Lady Macbeth, who is at once one of our wealthiest customers and one of our biggest shareholders. Our previous meeting had taken place in rather delicate circumstances, so for a moment, I suspected trouble; but no – she was most gracious.

Seating herself regally, she explained that she wished to consult me about some investments. An imposition on my good nature, of course, but my predecessor had always been most kind and helpful with very valuable advice . . . secretaries were so knowledgeable about finance . . . and so on.

Clearly, it was not a moment to admit ignorance, though in fact I have an abysmal lack of knowledge about stock exchange procedure and find the greatest difficulty in remembering which is the 'bull' and which the 'bear'. However, a few impressive generalities would probably be adequate. I put my finger tips together, assumed a judicial expression, and began: 'A rather unique financial position . . . insufficient gold reserve . . . complex international interplay . . . monetary circles awaiting the Budget.' Then a lofty touch: 'Not like the simplicities of last century's affairs, when the younger Pitt could introduce his Budget in four scribbled lines on the back of an envelope.'

Lady M. came back briskly. 'Ah yes, Sir William used to visit our family seat regularly; my great-grandfather's port was considered superb. Now, about the Budget; have you heard anything definite yet?'

(I rather liked the delicately implied compliment here, that I was in the confidence of the great . . . the Chancellor of the Exchequer hurrying to my chambers with the final draft; the midnight discussion; my ultimate accolade: 'Yes, Mr Chancellor, this is satisfactory. You have done well.')

'Nothing exactly definite yet, of course', I replied guardedly. (conveying a faint impression of cloaked couriers galloping forth with last-minute amendments), 'but you may rest assured that a lenient

Budget, tax concessions and so on, will encourage investment, and the market will harden correspondingly. On the other hand, fresh tax impositions would herald a reverse tendency and prices would fall.'

(Oh, jolly good, I thought. That editorial I read this morning was just the thing; there's nothing really to this stockbroker stuff. I beamed on my visitor. Just like the advertisements – shrewd and sophisticated consultant; bewildered old lady in mink and perfume and face veil . . . 'there, there, little woman, leave it all to me'.)

Lady Macbeth cut in on this pipe-dream with that curt incisiveness which had earned her her reputation. 'Coming down to cases, what about selling equities immediately? I have some £4,000 in Imps., £3,000 in Gussies, £5,000 in . . .' the list was staggering. 'Do you recommend I sell now or wait till after the 4th? The margins could be substantial.'

With my mind gone blank, I groped for an answer. Too late to say I wasn't really an expert; too late to resolve never to bluff again; too late to ask the Institute to include a paper on stock exchange procedure in the Final exam. The jutting chin and steely eyes opposite me were exercising a hypnotic effect.

Fortunately, my secretary suddenly metamorphosed beside us with a loaded tea-tray and the spell was broken. The sight of Lady M. smoking an exotic foreign brand instead of supporting her own holding restored my failing morale. I exhaled my own cigarette impressively, and turned on the Churchillian style.

'Confidence in our expanding economy, in our industrial development . . . improvements must mean better budgets, reduced taxes . . . trust in Britain's future . . . I accept no responsibility whatever, you must decide yourself, but my opinion is that prices will rise.' I could scarcely restrain myself from wagging a finger at her. She took it with an inscrutable expression. 'Thank you, Mr Secretary. I will consider carefully. *Au revoir.*'

* * * * *

A present this morning of a costly lighter, with a courteous note of thanks for my advice, found me chain-smoking in a fever of expectancy for the Budget. Maybe I have ruined the woman!

(Motto for rising young accountants who seek to impress: when clients want to discuss investments, think before you leap, and consider whether it might not be preferable to sleep well o' nights and send them to a stockbroker.)

Finance and Commerce

Stocks

TWO company reports were recently published within the same week, in which special emphasis has been given to the stock position. One is that of Saxone, Lilley & Skinner (Holdings) Ltd, the footwear business, whose accounts provide this week's reprint, and the other is from I. & R. Morley Ltd, in hosiery, underwear, etc. What stock means to Saxone can be seen in the £5½ million thus employed in the balance sheet at the end of 1959. Morley's stock is just over £1½ million or approximately one-third of the figure for shareholders' funds on the other side of the balance sheet.

Saxone, in the February of 1959, gathered into its group, Benefit Footwear of Leeds, which became a wholly-owned subsidiary. In the astonishingly short time of ten months, a new headquarters building for Benefit was put up in Leeds, coupled with a fully-mechanized warehouse, with a consequent saving in costs and a healthier look to the whole stock position. Five warehouse centres—London, Kilmarnock (the

Saxone headquarters), Northampton, Leeds and Stockport – have been reduced to two: London and Leeds.

The plan was set in motion three years ago when management consultants were engaged. The five warehouses supplied retail outlets all over the United Kingdom from Inverness to Plymouth, and the aim of the plan was not only to reduce warehouse costs but also to lower transport costs of a van fleet running half a million miles a year.

Distribution

The new establishment in Leeds is described in a separate booklet with the report. Its ground floor area could accommodate forty tennis courts; miles of steel racking can store $2\frac{1}{2}$ million pairs of shoes; and just under half a mile of 'tramway' can keep 350 trucks in endless motion, automatically delivering and collecting stock. Handling has been so planned and mechanized that, despite the vast size of the warehouse, operational costs have already been reduced by a fifth, and the retail shops and customers

SAXONE, LILLEY & SKINNER (HOLDINGS) LIMITED
and its Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1959

[illegible]

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 1959

[illegible]

NOTES ON BALANCE SHEETS

NOTES ON BALANCE SHEETS				
1. Share Premium Account—				
Amount at 31st December, 1958	.. ..	£2,250,000		
Add:				
Premium on Shares issued during year	.. ..	2,970		
		<u>£2,252,970</u>		
Deduct:				
Bonus Issue	.. ..	£2,250,000		
Expenses thereof	.. ..	£13,457		
Less: Charged to Capital Reserves	.. ..	10,487		
		<u>2,970</u>		
			Parent Company	Group
			145,581	192,534
2. Capital Reserves—				
Amount at 31st December, 1958	.. ..		
Add:				
Adjustment of Book Value of Property	.. ..		447,561	
Change in Basis of Stock Valuation in a Subsidiary	.. ..			10,707
Exchange difference	.. ..			2,274
				<u>£205,515</u>
			<i>Carried forward</i>	

receive better service through a more effective redeployment of stock.

Leeds will eventually run the whole stock distribution service. For the present, retail managers post their orders to Kilmarnock which keeps one of the largest installations of its kind for stock control. Branch orders are analysed mechanically and the required delivery instructions teleprinted to Leeds where requisitions are passed to the respective storage sections. From the section, the shoes travel by truck on a continuous towline to the dispatch floor for the vehicle that delivers that day or the next, according to distance, to the local shop. Since the distribution centre was opened, service to retail outlets has steadily improved and, it is commented, 'some branches are complaining that dispatches are so fast that advice notes, sent by ordinary mail, arrive after delivery of the goods'.

High Costs

I & R. MORLEY, too, is getting to grips with just this same problem. Lord Hollenden, the chairman, opens the subject with a reference to

trading conditions. Unfavourable conditions in 1958 continued into 1959 and the 1959 profit, though up, was still unsatisfactory.

The basic reason for what he calls the reduction in trading profit lies, he says, in very heavy administrative costs and overhead charges. With this in mind, the decision was made last year to reorganize and a managing director (administration) was appointed.

Increasing costs, says Lord Hollenden, are not confined to the company alone 'but the distribution of a comprehensive range of products from a number of factories spread over a wide range of the country, and the absence during the post-war years of a centralized distributive depot, has resulted in unavoidable multiplication of staff, labour, packing and dispatch and storage charges'.

This position, he continues, has become accentuated by the highly competitive and changing pattern of trading conditions which has become increasingly apparent over the last few years with its effect on overall profit margins.

One need hardly dwell on all that a good system of stock-keeping and control means to an auditor.

CITY NOTES

WITH 'White Paper' week completed, the stock-market now faces a Budget on which City prognostication has been remarkably limited. Largely because of that the markets have been able to make an unusually confident approach to Mr Amory's statement on Monday. Business has been on a fairly small scale judged by recent standards, but the continued flow of good company news has meant the maintenance of a generally firm undertone.

While equities have edged higher, however, Government stocks have barely managed to maintain their prices. Any limited support coming to the market is still offset by bank selling and by the fact that the central authority has stock in abundance with which to supply buyers.

At the other end of the House—in the mining markets—the disturbances in South Africa have played havoc with South African gold share values. In some cases, the prices of the heavier shares are now as much as £4 below their comparatively recent peaks.

Shares have been thrown on to the market from all international centres and periodical technical rallies have only served to bring in renewed selling pressure. To a lesser degree South African bank and industrial shares have been affected.

Even at substantially lower prices than those recently ruling, it is difficult to see support returning except on a purely speculative basis. There seems little prospect that confidence can be restored in the immediate future.

RATES AND PRICES

Closing prices, Wednesday, March 30th, 1960

Tax Reserve Certificates: interest rate (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Jan. 22	£4 11s 1'19d%	Feb. 26	£4 11s 1'07d%
Jan. 29	£4 10s 9'18d%	Mar. 4	£4 10s 9'34d%
Feb. 5	£4 10s 10'88d%	Mar. 11	£4 11s 8'32d%
Feb. 12	£4 10s 11'30d%	Mar. 18	£4 12s 3'52d%
Feb. 19	£4 10s 10'65d%	Mar. 25	£4 12s 5'03d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80 ²¹ / ₃₂ - ²⁵ / ₃₂	Frankfurt	11·70 ¹ / ₂ - ¹ / ₂
Montreal	2·67 ¹⁶ / ₁₆ - ¹⁸ / ₁₆	Milan	174 ¹ / ₂ -2 ¹ / ₂
Amsterdam	10·58 ¹ / ₂ -59 ¹ / ₂	Oslo	20·00 ¹ / ₂ - ¹ / ₂
Brussels	139·94 ¹ / ₂ -95 ¹ / ₂	Paris	13·77 ¹ / ₂ - ¹ / ₂
Copenhagen	19·33 ¹ / ₂ -34 ¹ / ₂	Zürich	12·17 ¹ / ₂ - ¹ / ₂

Gilt-edged

Consols 2½%	47	Funding 4% 60-90	90 ¹ / ₂
Consols 4%	70 ¹ / ₂	Savings 2½% 64-67	82 ¹ / ₂ xd
War Loan 3½%	62 ¹ / ₂	Savings 3% 55-65	90 ¹ / ₂
Conversion 3½%	61 ¹ / ₂	Savings 3% 60-70	79 ¹ / ₂
Conversion 3½% 1969	85 ¹ / ₂	Savings 3% 65-75	73 ¹ / ₂
Exchequer 5½% 1966	100 ¹ / ₂	Treasury 2½%	45 ¹ / ₂
Funding 3% 66-68	82 ¹ / ₂	Treasury 3½% 77-80	76 ¹ / ₂
Funding 3% 59-69	81 ¹ / ₂	Treasury 3½% 79-81	75 ¹ / ₂
Funding 3½% 99-04	69	Victory 4%	94 ¹ / ₂

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Exempt Private Company?

SIR, - I have a client company the shares of which are held as follows:

A	..	75	Citizen of U.S.A.
B	..	20	British: managing director.
C	..	5	„ director and secretary.
		<hr/>	
		100	
		<hr/>	

All shares were paid for on personal cheques.

A. is resident in the U.S.A. but makes periodical visits to this country and undoubtedly influences policy, though the company is run and all business obtained by B. A. is also vice-president of an American corporation. The British company acts as agent for the American corporation and receives financial backing as required but no agreements exist and the American corporation does not directly control the British company in any way.

I wish to establish whether or not the British company is an exempt private company and readers' views would be appreciated.

Yours faithfully,
TORA DATA.

[The facts disclosed above do not, in our opinion, include anything which would forfeit the company's right to exempt status if the conditions of exemption are otherwise satisfied. - *Editor.*]

Valuing Work in Progress

SIR, - In the *Duple Motor Bodies* case in the Court of Appeal, the Master of the Rolls is quoted as saying (*The Times*, March 19th):

"The real question was what were for those particular years the full amount of the profits or gains.

"To ascertain the full profit it was necessary to bring into account the values of the work in progress at the beginning and end of each year; such values were arrived at by looking at the market value or cost, whichever was the less. If they were greater at the end of the year, the profits were increased; if less, the reverse was the position.

"The problem was how should one arrive at the value of the work in progress. In the accountancy profession there were two theories current, both of which had their devotees."

If I may be allowed to make comment on the above,

I would say with the greatest respect that endorsement of the above statement can be found in textbooks so long back as fifty years, but nevertheless at all times it has been fallacious.

To illustrate my contention, take stock as the illustration in question; here, whether purchased for resale or manufactured by the company itself, it is nothing else than an *appropriation of working capital*, and so long as it remains so, it has no bearing in the ascertainment of annual profits under Schedule D, Cases I and II with which the Revenue is interested for the purpose of raising an assessment. Obviously it loses its identity the minute a buyer is found when it is then transferred to sales account.

Work in progress is different if the subject-matter relates to work under contract before completion. Here it is a matter for the company computing an estimated amount of profit of work done in the year under examination; such profit is normally transferred to the profit and loss account only. Subsequently when the position is finalized, a further adjustment may be necessitated in respect of the whole position.

Yours faithfully,

Maidenhead, Berks. FRANCIS SLATTERY.

Profit Percentage: Garage

SIR, - I wish to ascertain the percentage net profit (before tax) reasonably attainable on assets employed in a garage holding area dealership for a popular make of cars and commercial vehicles, and operating the usual filling stations, body building and paint shops.

Returns of a few public companies shown by published accounts equal 10-15 per cent but this may not be representative of the trade generally which is in the ownership of private companies and individuals. To be of any real value profits should be related to current asset values (not cost or replacement cost).

Your readers' comments would be appreciated.

Yours faithfully,
C. W.

Recruitment and Training

SIR, - Remarks made by Mr C. U. Peat at the annual dinner of the Birmingham and District Society of Chartered Accountants on March 10th last (reported in March 19th issue) could not fail to be interesting to all practitioners, but my attention was more particularly caught by his reference to the kind of training given to articled pupils in the districts, and his hint of action by the Council to enforce certain standards at least in the provinces.

In principle, I should imagine that most provincial accountants would welcome something of the kind, but I hope the activities of the Council in this direction will not bring about a situation in which, whatever the permissions given by rule, the only firms who will in fact be in a position to take articled

pupils at some date in the future will be the large firms in the big cities.

I would have expected some emphasis first to be laid upon the paramount need for registration in the profession. This essential step would, in my opinion, raise both the standards and the status of the small firm everywhere, and of all but the largest firms in the cities, as by protecting them against undesirable forms of competition, it would enable them not only to pay their staffs better, but would give them the financial shelter within the protection of which they might improve their standards of work, and in consequence the training of their pupils. It is probable that they would then be able to compete more effectively with the larger firms in the cities, but I cannot see that this is undesirable.

I recently wrote to the Institute inquiring about the prospect of pressing for registration with the two following general aims:

- (1) to secure to all full-time practitioners their present relative status but no more;
- (2) to ensure that after a certain date the only entry into the profession shall be through articles, and that all persons qualifying through articles after that date shall be known as chartered accountants.

The reply gives me no hope that Institute support for any form of registration is contemplated in the foreseeable future.

From the letters published of late in *The Accountant* and from contacts generally, I think it very likely that an overwhelming majority of members of the Institute is strongly in favour of registration, so that there is a strong case for a referendum on the subject. I sincerely hope there will be some competition for election to the Council, and that any candidates who feel strongly in favour of registration will make their views known in good time through your columns, so that members who feel inclined can support their candidature by vote.

Yours faithfully,

Burton on Trent.

THOMAS BOURNE.

Salaries and Fees in the Profession

SIR, — When I voiced an opinion on professional accountants' earnings (February 27th issue), I was unaware both of the comparative statistics contained in the Royal Commission's Report on Doctors' and Dentists' Remuneration, and of the apparently increasing furore within our profession on these matters.

Your article 'Professional Rewards' in last week's issue appears to emphasize the necessity and equitability of something being said or done by the powers of our nearly integrated profession — despite the many saving clauses in your closing paragraph.

On another aspect of the same matter, I heartily endorse Mr Alex Harrison's opinion in his letter

published last week that 'things cannot be allowed to go on in the old way', and a solution should be sought by the profession in close liaison with the Inland Revenue. I believe, however, that such a solution might involve much more fundamental measures than those so far suggested — such as scales of fees, protection against unqualified practitioners, etc. In fact, would not a large number of small practitioners and their staffs whose work now mainly devolves from tax assessments be better employed by the Inland Revenue (at respectable salaries) to make assessments on accounts prepared by them from the information at present supplied by taxpayers to their accountants? With Revenue authority, information might be more forthcoming from taxpayers; present estimated assessments and other procedures could probably be reduced or simplified; the 'Revenue Accountants' salaries would — I dare to guess — be easily met out of the increased tax collected; as far as the taxpayer was concerned, any increased tax he might pay would be partly offset by the saving in professional fees; 'Revenue Accountants' could explain the accounts and assessments to taxpayers at least as much as practitioners are able to do now; taxpayers would in fact know what so many of them are at present prone to think — that their accountant works for the Revenue; in the profession a smaller number of larger (departmentalized) firms would be occupied in giving first-class accounting, auditing, etc. services to the business community.

Alternatively, if, and for as long as, the present 'organization' of the profession and its relationship with the Inland Revenue is to continue, perhaps the Institute, besides or even instead of, laying down the law as regards fees, would find it simpler and more effective to fix scales of salaries for all grades of staff from articulated clerks to Fellows. These scales should perhaps be 20–30 per cent higher than the present averages, especially for qualified men. Practitioners would then *have* to charge higher fees; well-paid qualified assistants would feel less compelled to put up their own plates and add to the cut-price competition; small clients might desert their chartered accountants for other qualified or unqualified consultants — but surely no more than they would if fees were increased on instructions or by permission of the Institute rather than due to the demonstrable cause of increased salaries being paid to staff; a lower staff turnover would benefit both practitioners and clients; the narrowing of the gap between principals and staff would help to outmode the archaic system of huge payments for the transfer of clients by practitioners.

I apologize for the length of this letter, Sir, but at the same time I look forward to reading much more on these important matters from other members.

Yours faithfully,

UNDER A BUSHEL.

(*Nom de plume* of a member of
The Institute of Chartered Accountants
in England and Wales.)

Work of the Small Practitioner

SIR, — With reference to the reported speeches in your issue of February 27th, I realize that our President was trying to be helpful, but he does not appear to appreciate the extremely high standard of skill needed to prepare and to advise on farm accounts. Perhaps a few 'townies' might like to answer the following and suggest the accounting significance attached to the questions:

- (1) How long does it take to wash fifteen dozen eggs
(a) battery system; (b) deep litter?

- (2) Do gimmers sleep on ozier beds?
(3) How many progeny would you expect in one year from three drapes?
(4) If a farmer buys sharps, what does this indicate?
(5) Why do farmers buy red ochre?

Yours faithfully,

TWO-FINGER TYPIST.

(*Nom de Plume* of a member of
The Institute of Chartered Accountants
in England and Wales.)

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Henry Briggs, Son & Co v. C.I.R.

In the Court of Appeal — March 11th, 1960

(Before THE MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice PEARCE and Lord Justice HARMAN)

Profits tax — Holding of investments or other property — Whether trade or business carried on by parent company — Whether subsidiary company holding investments or other property — Interim income from National Coal Board — Finance Act, 1937, Section 19 — Coal Industry Nationalization Act, 1946, Sections 19, 22.

The appellant company was incorporated in 1865 to carry on the business of a colliery company. In 1939 the colliery business, and also those of two of its subsidiaries, were transferred to a new company, Briggs Collieries Ltd, which became a wholly-owned subsidiary of the appellant company. The latter continued to carry on its other businesses, though its largest receipt was its dividends from Briggs Collieries Ltd. Of the ten directors of the appellant company, five were directors of Briggs Collieries Ltd; and of the eight directors of the latter company, five were directors of the appellant company. Furthermore, the board of the appellant company exercised policy control over the board of Briggs Collieries Ltd.

On the nationalization of the colliery industry on December 31st, 1946, the colliery business of Briggs Collieries Ltd ceased, and the company went into liquidation on October 17th, 1952, when the compensation had been fully received. The appellant company went into liquidation on July 18th, 1951. In the meantime Briggs Collieries Ltd paid large dividends to the appellant company out of the interim income it received in respect of its compensation.

The Inland Revenue contended that the appellant company was assessable to profits tax in respect of these dividends on the ground that it was a property-

holding company within Section 19 (4) of the Finance Act, 1937. It was contended on behalf of the appellant company that it was carrying on a colliery business down to December 31st, 1946; that it was not a property-holding company within Section 19 (4); and that Briggs Collieries Ltd was, after December 31st, 1946, itself a property-holding company, and the dividends were franked investment income of the appellant company.

The Special Commissioners decided that the appellant company had been an investment-holding company since 1939; that Briggs Collieries Ltd was not such a company; and that the dividends in question were not franked investment income.

Held (affirming the decision of Mr Justice Upjohn): the Special Commissioners' decision was correct.

Collco Dealings Limited v. C.I.R.**Luchor Dealings Limited v. C.I.R.**

In the Court of Appeal — March 10th, 1960
(Before THE MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice PEARCE and Lord Justice HARMAN)

Income tax — Dividend-stripping — Person entitled to exemption — Company resident in Republic of Ireland — Income Tax Act, 1952, Section 349, Schedule XVIII — Finance (No. 2) Act, 1955, Section 4 (2).

The appellant companies were incorporated in the Republic of Ireland, and were resident there, and were not resident in the United Kingdom. They claimed repayment in respect of dividends, but the Inland Revenue refused repayment on the footing that there had been a process of dividend-stripping and that each appellant was 'a person entitled under any enactment to an exemption from income tax which extends to dividends on shares', so that Section 4 (2) of the Finance (No. 2) Act, 1955, applied, and the claim was therefore refused.

On appeal to the Special Commissioners it was contended on behalf of each appellant that the words quoted did not apply to residents of the Republic of Ireland. The Special Commissioners accepted this argument, and allowed the appeal.

Held (affirming the decision of Mr Justice Vaisey): the words quoted included persons in the position of each of the appellants; and that the claim to repayment was inadmissible.

THE SCOTTISH INSTITUTE'S ANNUAL MEETING

President's Comments on Company Accounts

The annual general meeting of The Institute of Chartered Accountants of Scotland was held at Chartered Accountants' Hall, 27 Queen Street, Edinburgh, last Wednesday, March 30th. Mr Thomas Lister, M.A., C.A., President, was in the chair and there was a large attendance.

The admission to the Institute of 176 candidates, whose names are shown at the end of this report, was approved and following the adoption of the accounts of the Institute for 1959 and the annual report of the Council for 1959-60, Mr Lister delivered his presidential address.

PRESIDENT'S ADDRESS

In the course of his address, Mr Lister referred to 'a topic in which we all have a professional interest, the contents of published profit and loss accounts'. Emphasizing that his views were purely personal, he said:



'The Companies Act, 1958, requires that the balance sheet of a company shall give a true and fair view of the state of its affairs, and the Eighth Schedule to the Act lays down at considerable length the contents of the balance sheet.

'The Act also requires that the profit and loss account shall give a true and fair view of the profit or loss for the year. The requirements concerning profit and loss accounts, however, are much less detailed than those concerning balance sheets.

Depreciation, interest on loan capital, investment income, directors' emoluments and taxation have to be stated; the effect of any material transactions of an exceptional or non-recurring nature and the effect of any change in the basis of accounting must be shown. But otherwise the Act is silent as to the elements that should be disclosed as making up the profit or loss of the year.

'It is not surprising, accordingly, that the extent of the information given in published reports and accounts in relation to profits should vary widely. Comment in the financial Press on the contents of profit and loss accounts tends to be heavily concentrated on the desirability of disclosing turnover, and the number of companies that state the value of turnover is increasing. I would like, however, to look at the matter more generally.

Purpose of P. & L. Account

'In the first place, for what purposes does the reader wish to use the profit and loss account? Creditors, employees and students of economics are all interested, but those primarily concerned are the shareholders. An intelligent shareholder or prospective shareholder would have at least three purposes in mind:

First, as a report of stewardship.

Second, to assist him in judging the efficiency of the management.

Third, to guide him in assessing the worth of his investment.

A bald statement of profit might meet the first purpose, though rather crudely, but it might fall far short as regards the second and third.

'Let me indicate a few of the factors the effect of which may be of importance to anyone trying to obtain a true and fair view of the profit.

'It is not uncommon for reference to be made in the accounts or in the directors' report to the effects - and more frequently perhaps to adverse than to favourable effects - of a sharp movement in the price of a raw material. An amount written off stocks or a transfer from a stock provision may appear separately, but a profit or loss resulting from price movements affecting goods bought and sold during the year is seldom segregated, and so the total effect of price changes is rarely shown. Yet there can be no doubt that a profit or loss of this nature is different in quality from that resulting from the conversion of raw material into finished product at a steady price level.

Long-term Contracts

'Consider next the case of a business carrying out long-term contracts. Even though the method of arriving at profit may be clearly stated and consistently maintained, the adoption of a basis which relates the reported profits to the contracts completed and not to the work carried out during the year can result in a very limited view of the profits, and indeed a view from which a fair comparison of one year with another may be almost impossible.

'Another instance in which I would suggest that something more than a single figure of trading profit may be needed is that of a company carrying on more than one type of undertaking. A somewhat special case is that of the company holding properties for income and also engaging in property deals: it is obvious that dealing profits are of an entirely distinct quality from rents, and most property companies do, in fact, show them separately. A similar point may arise in a less extreme form in any mixed business, and I think it becomes a question of degree whether, to give a true and fair view, the profit derived from different sources ought to be separately stated. At one end of the scale there might be a company carrying on a variety of operations all falling under the description of, say, general engineering, and it might be reasonable for the aggregate profit only to be given. At the other extreme, there might be a company carrying on a well established business of a stable nature, which had branched out into some new activity exposed to a quite different degree of risk: in such a case it might well be that to give a true and fair view of the profit the result of the new activity ought to be separately shown.

Division of Overheads

'I touched earlier on the question of disclosure of turnover. For a comparison of one year with another, especially if it can properly be assumed that there has been little change in the nature of the business, no doubt fluctuations in turnover are significant. As a means of judging the efficiency of a business or for the purpose of comparing one business with another which may appear to be similar in type, however, turnover figures by themselves, it seems to me, are of limited value. In many businesses today the marginal profitability of a relatively moderate increase in turnover may be disproportionately high, and this is becoming increasingly true with the application of mass

production methods to more and more industries. It would be of great value if the profit and loss account were to show not only turnover but also the outgoings, distinguishing between purchased materials, variable overheads and other direct costs on the one hand and fixed overheads on the other. I appreciate of course that such a division of overheads presents difficulties in practice.

'I have selected a few instances in which, it seems to me fuller information than is at present usually given in profit and loss accounts would be valuable, and other illustrations will no doubt occur to you - notably, that of depreciation. I would suggest that the feature common to the segregation of profits and losses on raw materials, the fuller disclosure of results of long-term contracts, the separate statement of the profits of diverse activities, and the disclosure not only of turnover but also of fixed overheads, is the thought that for a true and fair view it is necessary to know something of the *quality* as well as the *quantity* of the profit.

'I realize that some of the fuller information for which I am pleading is not available in all cases today, but a modern accounting system should be capable of providing it within acceptable limits of accuracy. Nor do I overlook that some boards of directors will consider that it would not be to the advantage of their companies to give the information.

'Improvement in the statement of profits on the lines I have indicated can, I think, only be brought about gradually and, to some extent, by experiment; and in my view it would be undesirable, even if it were possible, at this stage to force the pace by legislation. I would, however, express the hope that, with a strong lead from the accounting profession, shareholders will come to demand and directors will come to accept the necessity for profit and loss accounts that give a true, fair and *full* view of the profits.'

John Morison Prize

The President also referred to the plans being made for the award of the John Morison Prize, and said:

'Since the annual report was issued the Council has been able to carry a step further the arrangements for the John Morison Prize. This prize, as members will recall, is to be awarded every other year for an essay competition open to our younger members. Mr S. E. Houstoun, Professor Robert Browning and Professor D. S. Anderson have accepted the Council's invitation to act as a panel of judges and to advise the Council on the conditions under which the award will be made. The Council hopes to be able before long to make an announcement regarding the first competition.'

Wider Powers of Investment for Trustees

Commenting on the Government proposals to introduce legislation conferring substantially wider powers of investment on trustees, Mr Lister said:

'The trustee availing himself of the widened powers proposed must be advised by a competent professional financial adviser. You will have seen correspondence in the Press questioning whether certain professions should be included in or omitted from the list of competent advisers. So far as I know, no question was raised in this correspondence regarding the competence of accountants to advise on such matters. As in all branches of an accountant's work, however, this is a case for each individual practitioner to consider whether he is adequately equipped to advise and to take responsibility for doing so. It seems to me that in this respect the giving of advice on investments is in no different case from other matters which concern us from day to day.'

ANNUAL SUBSCRIPTIONS

A resolution proposing increases in members' subscriptions was put to the meeting in the following terms:

'That, in place of the scale of annual subscription contained in Rule 8 of the Institute's Rules, the following scale be decided by the Institute in general meeting and come into effect on January 1st, 1961:

	£	s	d
'For a member:			
(a) in practice in the United Kingdom	12	12	0
(b) residing in but not in practice in the United Kingdom	5	5	0
(c) not residing in the United Kingdom	3	3	0

The present scale of annual subscription is as follows:

	£	s	d
'For a member:			
(a) in practice in the United Kingdom	7	7	0
(b) residing in but not in practice in the United Kingdom	3	3	0
(c) not residing in the United Kingdom	2	2	0

This scale was proposed in 1950 and took effect on January 1st, 1952, when the membership of the Institute was 5,181. By December 31st, 1959, the membership was 6,599. During the intervening period there was a marked increase in the Institute's activities and the cost of these was affected materially by monetary inflation.

An explanatory letter to members of the Institute stated that:

'Ever since the amalgamation of the three Scottish Societies in 1951 all entrance fees of new members have been treated as revenue, but, despite this, income has not been sufficient to meet expenditure. For 1959 the deficit was £9,477. The current position is that the accumulated funds of the Institute represent only about £20 per member, as compared with about £29 per member on the completion of the amalgamation in 1951.

'For 1960 it is not possible to foresee any exceptional increase in income, nor can it be supposed that 1960 will see an end to the rising trend of the cost of the Institute's activities. The deficit on income and expenditure account for 1960 cannot be less than the deficit for 1959 and is likely to be substantially greater.

After reviewing the whole position the Council decided that in order to meet the situation it was essential that the scale of annual subscription should be increased as from January 1st, 1961.

On the motion being put to the meeting there was no discussion, and the resolution was carried with only two dissentients.

OFFICE-BEARERS FOR 1960-61

As announced in Weekly Notes elsewhere in this issue, Mr Alexander McKellar (Glasgow) was elected President for 1960-61 and Mr Graham A. Usher, M.B.E. (MIL.), T.D. (Edinburgh) was elected Vice-President.

Members of the Council for 1960-61 were elected as follows:

Members practising in Scotland: Mr T. S. Aitchison (Hawick); Mr Aitken J. Couper (Glasgow); Mr J. A. Crawford, B.A. (Edinburgh); Mr J. W. Dallachy, M.A. (Glasgow); Mr G. D. H. Dewar (Glasgow); Mr E. C. Finlayson (Aberdeen); Mr W. S. Fleming (Aberdeen); Mr F. S. Gamley (Edinburgh); Mr James R. Gellatly (Dundee); Mr William Halliday (Glasgow); Mr Robert Kemp, T.D. (Glasgow); Mr Alexander Logie (Perth); Mr Alexander Martin (Inverness); Mr W. L. Milligan, B.A., J.P. (Edinburgh); Mr Stanley N. Rae, M.C., T.D. (Dundee); Mr J. M. Ritchie (Edinburgh); and Mr James C. Stewart (Glasgow).

Members practising in the United Kingdom outside Scotland: Mr F. Booth (London) and Mr John Sandilands Wilson (London). LL.B. (London) and Mr Ian W. D. Macdougall, D.S.O. (Glasgow).

Two members not in practice: Mr John Black, M.A., Mr J. H. A. C. Crawford, T.D., B.A. (Edinburgh) was declared re-elected auditor of the Institute for 1960-61.

ADMISSIONS TO MEMBERSHIP

One hundred and seventy-six new members were admitted to membership of the Institute as follows:

Adam, R. A., Edinburgh.
Aitchison, M., Glasgow.
Allan, W. M., Milan.
Anderson, J. C. M., Dundee.
Anderson, W. L. C., Glasgow.
Arora, J., Glasgow.
Arthur, R. A., Dyce.

Bach, H. H., Glasgow.
Balfour, O. L., Edinburgh.
Barbour, R. M., Glasgow.
Barclay, W. K., Glasgow.
Bate, P. D., London.
Beith, R. M., Glasgow.
Bell, E. S., London.
Beveridge, J. G., Glasgow.
Bonnar, D. K., London.
Borthwick, D. L., Glasgow.
Brodie, A. G., Glasgow.
Brown, A., Glasgow.
Brown, H. O., Falkirk.
Brown, I. D. B., Edinburgh.
Brown, J. L., Glasgow.
Brownlie, A. J. H. (Miss), Glasgow.
Buttar, A. M., Glasgow.

Calpin, M., Glasgow.
Campbell, D. M., Glasgow.
Campbell, W. J., Glasgow.
Captain, S. F., Glasgow.
Cassells, J. McL., Edinburgh.
Castle, J. R. W., London.
Christie, J. R., London.
Clark, A. C., Aberdeen.
Clark, D. J., Kilmacollm.
Clark, J. A. C., Edinburgh.
Clark, N. J., Glasgow.
Clark, W., Ayr.
Cole-Hamilton, A. R., Kilwinning.
Connel, A. C., Edinburgh.
Copleton, R. B., Glasgow.
Couper, R. D., Edinburgh.
Crawford, E. O., Dumbarton.
Cunning, J. C. L., Glasgow.
Cunningham, D. A. B., London.

Dalnekoff, S., Glasgow.
Dargie, J., Lima.
Denholm, J. A., Glasgow.
Dobbie, J. W., Glasgow.
Donald, W. A., Glasgow.
Donner, P. J., London.
Douglas, A. E. M., Edinburgh.
Dracup, B. M., Glasgow.
Dron, R. G., Glasgow.
Duncan, A. F., Edinburgh.
Duncan, J., Perth.
Duncanson, T., Glasgow.

Eadie, G. M., London.
Ellison, P., London.

Finnie, J., Dagenham.
Firth, W. E., Greenock.

Fitzsimmons, R. B., Glasgow.
Fleming, R., Toronto.
Ford, J. D. N., Paris.
Foreman, C. W., Edinburgh.
Fraser, I. R. S., Stirling.
Fraser, J. M., Edinburgh.
Frew, A. D., Bulawayo.
Gardiner, P. S., Perth.
Garment, R. G., London.
Gillan, O. J., Glasgow.
Gillon, A. R., Edinburgh.
Gilroy, A. G., Jesselton, North Borneo.
Graham-Brown, J. G. F., Edinburgh.
Gray, J. S., Rio de Janeiro.
Greaves, C. W., London.

Hamilton, J. F. W., Glasgow.
Harper, H. I. F., Glasgow.
Henderson, R. G., Edinburgh.
Hepburn, J., Glasgow.
Hetherington, W. G., Glasgow.
Higgins, G., Glasgow.
Hodge, S. B. J., Port Glasgow.
Horne, M. D., Edinburgh.
Hunter, I. M., Glasgow.
Hunter, J. R. K., Loanhead.
Husain, A., Glasgow.
Husain, I., Glasgow.
Kennedy, J., Perth.
Khan, M. Y., Woking.
Khanna, P. S., New Delhi.
Kilpatrick, D. W., Glasgow.
King, J. O., Glasgow.
Knowles, J. S. D., Bucksburn.

Leishman, R. B., Aberdeen.
Loudon, J. A., Edinburgh.

Macaulay, W. K., Dundee.
McCoard, B. H., Glasgow.
McConkey, J., Glasgow.
McCubbing, J. S., Edinburgh.
McCulloch, G., Glasgow.
McDonald, A., Glasgow.
McGhee, A. O., Glasgow.
McIntyre, J., Glasgow.
McIntyre, R. G., Mauchline.
Mackenzie, I. D., Edinburgh.
Mackinnon, A. M., Bearsden.
Maclaren, A. L., Glasgow.
Maclean, W. R. D., Winnipeg.
McManus, H., Rio de Janeiro.
McNeilage, A. G., Glasgow.
Mash, J. P., Staines.
Mathieson, C., Dumbarton.
Mellis, R. J., Fraserburgh.
Mercer, J. P., Brussels.
Miller, I. D., Glasgow.
Mitchell, I. MacG., Falkirk.
Mitchell, W., Dunfermline.
Moir, J. A. W., Glasgow.
Montgomery, R., Edinburgh.
Moore, P., Glasgow.

Morris, S., Dundee.
Morton, J. F., Salisbury.
Munro, W. O., Edinburgh.
Murphy, J. J., Glasgow.
Murray, A. G., Glasgow.

Napier, R. G., Kirkcaldy.
Nicol, A. R., Port Glasgow.
Nicol, J. R., Edinburgh.

O'Hara, C., Glasgow.
Oxby, R., Glasgow.

Park, L. A. B., Glasgow.
Paterson, J. S., Glasgow.
Pringle, J. C., Aberdeen.

Richardson, N. B., Glasgow.
Richardson, R. J. R., By Lockerbie.
Riddell, E. A., Edinburgh.
Ritchie, A., Perth.
Ritchie, L. C., Glasgow.
Roberts, N. P., Edinburgh.
Robertson, J. B., Dundee.
Robertson, K., Edinburgh.
Rutherford, I. W., Glasgow.

Sandland, A. W., Edinburgh.
Scott, R., Glasgow.
Sellyn, L., Glasgow.
Shaikh, M. G., Karachi.
Sharp, N. M., Dundee.
Shepherd, N. M., Dundee.
Sinclair, N. W., Glasgow.
Skinner, N. A., Edinburgh.
Sloan, W. T., Glasgow.
Slorach, A., Edinburgh.
Smith, T. A. J., Perth.
Steel, A., Glasgow.
Stewart, C. T., Glasgow.
Swan, J. MacL., Kuching, Sarawak.

Taimuri, M. J. B., Edinburgh.
Taylor, I. M. B., London.
Terras, M. E., Glasgow.
Thom, C. W., Glasgow.
Todd, D. F., Newton Mearns.
Topping, J., Edinburgh.
Turnbull, A. M. G., Paris.

Wallace, G. S., Glasgow.
Wallace, J. R., Glasgow.
Waller, M. H., London.
Walmsley, R. W. D., London.
Warburg, D. M. C., London.
Watherston, J. M., Edinburgh.
Watson, L. D., Takoradi, Ghana.
Watson, W. R., Glasgow.
White, N. H., Glasgow.
Willey, A. D., Glasgow.
Wilson, H. W., Glasgow.
Wilson, R. W., Glasgow.
Woolley, F. S., Glasgow.

Young, D. M. G., Edinburgh.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Extracts from the Report of the Council for 1959

The following are extracts from the report of The Association of Certified and Corporate Accountants for the year 1959 to be presented at the fifty-fifth annual general meeting to be held in the Queen Mary Hall, Y.W.C.A. Building, Great Russell Street, London, WC1, at 12 noon, on Tuesday, April 26th, 1960

Membership

The number of new members admitted during the year was 432; 4 were re-admitted; and 90 associates were advanced to fellowship. The membership of the Association at the end of the year was 10,545, consisting of 2,360 fellows and 8,185 associates.

Students and Graduates

The number of students and graduates on the register at December 31st, 1959, was 7,556. During 1959 there were 1,513 new registrations and 5,997 renewals; 46 students were retained on the register while undergoing national service.

Examinations

The number of new applications to sit the Association's examinations received during the year was 1,977 as compared with 1,927 in 1958.

The number of candidates sitting for the June and December 1959 examinations totalled 3,483 of whom 1,385 (40 per cent) passed. The corresponding figures for 1958 were 3,566 and 1,451 (41 per cent).

Revised Examination Syllabus

Some three years ago the Council appointed a special committee for the purpose of considering the scope and adequacy of the examination syllabus, particularly in relation to the widening responsibilities which accountants are being called upon to assume, both on the practising side of the profession and in industry.

The President intimated in his address to the annual general meeting of members in April 1959 that the committee was likely to complete its work shortly. The committee was able to do this and submitted its report and recommendations to Council on July 28th, 1959. After careful consideration the Council decided to adopt the committee's recommendations, as a result of which a revised examination syllabus will take effect from and including the examinations in June 1961.

The syllabus gives considerably greater emphasis to accounting and allied techniques of industrial application, but at the same time it retains everything necessary to constitute a satisfactory preparation for those who intend to remain on the practising side. The view taken by Council was that any syllabus which failed to recognize and provide for the increasing number of accountants who find their careers in industry would be unrealistic and, indeed, inadequate. Moreover, even for the practising accountant subjects of industrial application are of growing importance because increasingly in the future he is likely to be called upon to advise his clients on such matters.¹

Amendments to Bye-laws

In connection with the adoption of the revised examination syllabus, fairly extensive alterations to the bye-laws were necessary. Apart from that, however, certain other alterations were made during the year, i.e. the list of certificates which are accepted by the Council as securing exemption from the Preliminary examination was extended by the

inclusion of the Ordinary National Certificate in Commerce and the number of articled clerks whom practising members are permitted to receive was increased from two to four. A further innovation was that at overseas examination centres, where hitherto the examinations have been held only once annually, in December, there will henceforth be examinations twice annually, as in the United Kingdom, in June and December.

Branches and District Societies

The Council again wishes to record its indebtedness to the officers of branches, district societies and students' societies for their exertions during the year (frequently in the face of very indifferent support from their members) and to those who assist them in the various activities they arrange.

Apart from their attendance at district societies holding annual or biennial dinners, the President, Vice-President, Immediate Past President and Secretary also visited a number of informal gatherings or meetings held by other societies.

Pre-examination schools have again been held by several students' societies, among them being Bristol, Berks, Bucks, and Oxon, Glasgow, London, Manchester and Sheffield. The Council hopes that these schools will receive the support they deserve from all students in the areas in which they are arranged.

Overseas Branches

The Secretary has again received many visits from members overseas both in their personal capacities and as representatives of their branches and local societies.

A new branch of the Association has been formed in Nigeria. The Trinidad and Tobago Society has also been granted the status of a branch.

Qualification and Status

The Council notes that during 1959 there appears to have been a slight increase in the number of cases in which persons have been found to be making improper use of the Association's designation and/or designatory letters. This may, indeed, be primarily due to the increasing vigilance of members and, if so, is a matter for satisfaction. The Council has in the past sought the co-operation of members in reporting cases which may come to their notice and it is hoped that members will continue to assist in this way. It is vital that the Secretary should have an early opportunity of taking appropriate action.

Week-end School, 1959

A most successful week-end school was held at The Queen's College, Oxford, from April 10th-12th, 1959. The theme of the school was 'The accountant as adviser and co-ordinator in electronic data processing'.²

Week-end School, 1960

Another week-end school will be held at The Queen's College, Oxford, from April 1st-3rd. The topic for exposition and discussion - 'An application of electronic data

¹ See *The Accountant*, November 21st, 1959.

² See *The Accountant*, April 18th, 1959.

processing'—has been designed to develop the theme of the previous year's school and to deal with the position of the public accountant in relation to these procedures.

Research

The Technical Research Committee, its subcommittees and panels held fifty-four meetings during the year.

The Taxation subcommittee has assisted the Council of the Association by preparing memoranda on a number of subjects, and has also done further work on two studies connected with back duty and double taxation relief.

The Management Accounting subcommittee continued work on its study dealing with management accounting in the small business.

The Electronic Data Processing subcommittee held weekly meetings during the first part of the year in order to complete its two studies entitled 'Electronic data processing: I—an introduction to electronic computers' and 'Electronic data processing: II—management's initial considerations when planning for a computer'. These were subsequently approved by the Council and published in September 1959. Later in the year the subcommittee commenced preparatory work on a third study entitled 'Electronic data processing: III—planning and installation for computers'. Members of the subcommittee also contributed papers and played a leading part at the week-end school on electronic data processing.

The Council of the Association thanks all those members who have so generously given their time to the work of the subcommittee and panels during the year.

Penalty Provisions in Income Tax Acts

In September 1959 the Board of Inland Revenue invited the Council to give its views on the penalty provisions of the Income Tax Acts. A memorandum was subsequently prepared by the Taxation Subcommittee and submitted to the Board with the approval of Council.¹

Memorandum to the Chancellor of the Exchequer

The Council again prepared for consideration by the Chancellor of the Exchequer a memorandum of recommendations designed to effect improvements in the administration of the present taxation system and to remove various hardships to the taxpayer. This memorandum was submitted to the Chancellor in January 1960.²

Company Law Amendment Committee

In November 1959 the President of the Board of Trade announced that he had appointed a committee under the chairmanship of Lord Justice Jenkins to inquire into the provisions and workings of the Companies Act, 1948, and other related matters. The Council decided to enlarge considerably the Company Law Amendment Committee appointed some two years ago and this has been done. The Committee is now preparing a memorandum of evidence for submission to the Jenkins Committee.

Schedule E Expenses, Guernsey

The Association has been approved for purposes of Section 28 of the Income Tax Amendment (Guernsey) Law, 1959, and the whole of the annual subscriptions paid by a member in Guernsey who qualifies for relief under that section is now allowable as a deduction from his emoluments assessable to Guernsey income tax.

Commission on Income Taxation in the Republic of Ireland

The Irish Branch of the Association, in consultation with the Council, submitted a memorandum to the Commission on Income Taxation in the Republic of Ireland in June 1959. A number of recommendations were embodied in part in the first report of the Commission, which was published in October 1959.

¹ See *The Accountant*, January 16th 1960.

² See *The Accountant*, January 16th, 1960.

Solicitors' Accounts Rules

The Council desires to draw the attention of members to a note appearing in the July/September 1959 issue of *The Accountants Journal* in connection with the certification of solicitors' accounts. It was pointed out that as from September 16th, 1959, the Law Society proposed to enforce the provisions of the Solicitors' Accounts Rules with greater strictness and that, in future, solicitors who were late in lodging an accountant's certificate with the Law Society would receive only one reminder, followed, after seven days, by disciplinary proceedings without further notice to the solicitor. It appears that in the past defaulting solicitors have sometimes informed the Law Society that delay has arisen because the accountant has been unable to find time to examine the books within six months of the end of the accounting year.

The Council desires to emphasize that the Accountant's Certificate Rules require a certificate to be delivered within this time and it is therefore necessary that members of the Association acting for solicitors should so arrange matters as to ensure that the certificate is available within this period.

During the year the Council deemed it necessary to take the unusual step of publishing a statement exonerating a member of the Association from certain implications of negligence appearing on the face of the Report and Findings of the Disciplinary Committee appointed under the Solicitors' Act, 1957, in respect of a certain solicitor.³

Integration

The report of the Council for 1958 (paragraphs 59-60) stated that a meeting had taken place in October 1958 between representatives of the Association and of the several Institutes of Chartered Accountants to consider in a preliminary way whether any basis existed for bringing the Association within the framework of integration. In his address to members at the annual general meeting on April 28th, 1959, the President added that the representatives of the Institutes had asked for a detailed statement of the constitution of the Association's membership and that the information would be supplied shortly.

A further meeting was held in January 1960 with the representatives of the Institutes, who then intimated that having considered the position fully they had decided to recommend to their Councils that no integration with the Association should be initiated.

Special Resolution

The Council directs the attention of members to the terms of the special resolution set forth in the notice of meeting accompanying this report. The existing article with regard to resignation provides that any member may resign on giving notice to the Council but there is some question as to whether the Council has a discretion to defer acceptance of such notice.

The Council feels that this question should be resolved and that it will be of advantage to the administration of the Association for a resignation to be effective only when accepted by the Council.

Membership of Council

The following members of Council retire in accordance with the provisions of Article 56 of the Articles of Association and, being eligible, offer themselves for re-election:

Members in public practice: W. Macfarlane Gray (Stirling), J. E. Harris (London), C. V. Jarvis (Manchester), Douglas Kay (Sheffield), T. R. Powell (Belfast), R. Statham (Newcastle under Lyme).

Members not in public practice: F. A. Callaby (Darlington), J. H. Hills (London).

The following members of Council, co-opted under the provisions of Article 61 of the Articles of Association, offer themselves for re-election:

Member in public practice: Henry Clarke (Birkenhead).

Member not in public practice: Thomas James Alfred Barrett (London).

³ See *The Accountant*, October 31st, 1959.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS DAVIE, PARSONS & Co, Chartered Accountants, of 6 Bishopsgate, London, EC2, announce that Mr R. W. J. FOSTER, A.C.A., was admitted into partnership as from April 1st, 1960.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co announce that they have admitted into their London partnership Mr M. A. CHARLTON, A.C.A., as from April 1st, 1960. Mr CHARLTON has been a senior member of the firm's staff for some years.

MESSRS HODGSON, HARRIS & Co, Chartered Accountants, of Hull, London and elsewhere, announce with regret that owing to ill health Mr C. H. MEAD, F.C.A., retired from the partnership on March 31st, 1960. They also announce that Mr J. D. O'HARA, A.C.A., Mr F. G. BAXTER, A.C.A., Mr R. M. STRACHAN, A.C.A., and Mr M. M. STRACHAN, A.C.A., have been admitted as partners on April 1st, 1960.

MESSRS DUNN, CAREY, CAMPION PYNE & Co, Chartered Accountants, of 12 Buckingham Street, London, WC2, announce that their partnership is being dissolved and that Mr J. C. PYNE, F.C.A., is amalgamating his part of the practice (formerly known as CAMPION PYNE & Co) with the firm of SMITH & HARTING, Chartered Accountants, of 14 Queen Victoria Street, London, EC4, the effective date being March 25th, 1960. Mr W. H. B. CAREY, B.S.C., F.C.A., will continue his part of the practice at 12 Buckingham Street, London, WC2, under the name of DUNN, CAREY & Co, Chartered Accountants, in partnership with Mr J. B. SELIER, B.COM., F.C.A.

MESSRS LAYTON-BENNETT, BILLINGHAM & Co, Chartered Accountants, of 23 Blomfield Street, London Wall, London, EC2, announce that Mr H. W. AGLEY, A.C.A., and Mr B. J. HERRING, A.C.A., who have been members of their staff for some years, have been admitted as partners in the firm as from April 1st, 1960. The name of the firm remains unchanged.

MESSRS BEEVERS & ADGIE, Chartered Accountants, of Leeds, announce that they have taken into partnership Mr LESLIE SENIOR, F.C.A., who has been associated with the firm for eight years.

MESSRS LARKING, LARKING & WHITING, of Wisbech, March, Bury St Edmunds, King's Lynn and elsewhere, announce that from April 1st, 1960, Mr CYRIL EDWARD WELBOURNE, A.C.A., who has been associated with the firm for many years, has been admitted a partner. The style of the firm remains unchanged.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that Mr J. R. ADCOCK, A.C.A., has been admitted a partner in their Birmingham office with effect from January 1st, 1960.

MESSRS BLACK, GEOGHEGAN & TILL, Chartered Accountants, of 54 Old Broad Street, London, EC2 and of 10 Lefebvre Street, Guernsey, announce that Mr ALEXANDER E. LAWSON, F.C.A., retired from the practice on March 31st, 1960.

MESSRS MAXTONE GRAHAM & SIME, Chartered Accountants, of 34 Charlotte Square, Edinburgh, 2 and 54 Old Broad Street, London, EC2, announce that Mr ALEXANDER E. LAWSON, F.C.A., retired from their London partnership on March 31st, 1960.

MESSRS F. W. CLARKE & Co, Chartered Accountants, of The Friars, 154 Upper New Walk, Leicester, announce that as from April 1st, 1960, Mr JOHN FRANCIS DOLEMAN, A.C.A., has been admitted a partner. Mr J. F. DOLEMAN is the son of Mr F. W. DOLEMAN, F.C.A.

MESSRS HAYS, AKERS & HAYS, Chartered Accountants, of 30 Cursitor Street, London, EC4, announce that as from April 1st, 1960, Mr ALEXANDER D'AGAPEYEFF, A.C.A., has been admitted into partnership. The name of the firm remains unchanged.

MESSRS BAKER, SUTTON & Co, Chartered Accountants, of Eldon Street House, Eldon Street, London, EC2, announce that as from April 1st, 1960, they have taken into partnership Mr NIGEL FRANCIS HOLLAND, A.C.A., who has been a member of their staff for a number of years.

MESSRS HOGG, BULLIMORE & Co, Chartered Accountants, announce that as from April 1st, 1960, they have taken into partnership Mr PAUL MICHAEL ROBESON, A.C.A., who has been a senior member of their staff for many years.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of 30 Southampton Buildings, Chancery Lane, London, WC2, and of 65 London Wall, London, EC2, announce that Mr RONALD WILLIAM AITKEN, A.C.A., has been admitted to partnership from April 1st, 1960.

MESSRS DUNN, HORNBY & COWIE and BANNER, MOUNSEY, DUNN & Co., Chartered and Incorporated Accountants, of P.O. Box 312, Nairobi, Kenya, announce that Mr FREDERICK STEWART DUNN, F.C.A., retired from practice on March 31st, 1960. The joint practices will be carried on by the remaining partners at the same address in the name of BANNER, MOUNSEY, DUNN & Co (Incorporating DUNN, HORNBY & COWIE).

MESSRS JACKSON, PIXLEY & Co, Chartered Accountants, of Kent House, Telegraph Street, London, EC2, announce that Mr D. W. GIBSON, F.C.A., and Mr C. B. NEWCOMB, A.C.A., have been admitted to partnership as from April 1st, 1960.

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

MESSRS HOWARD HEATON & BENDALL, Chartered Accountants, of 95 Colmore Row, Birmingham, 3, Wolverhampton and Worcester, announce that they have taken into partnership on April 1st, 1960, Mr ERNEST ARTHUR NORMAN, A.C.A., and Mr NEIL RAYNER SKIDMORE, A.C.A., who have for some years been in charge of their Worcester and Wolverhampton offices respectively. The name of the firm remains unchanged.

Appointments

Mr Henry A. Benson, C.B.E., F.C.A., a partner in the firm of Cooper Brothers & Co, Chartered Accountants, of London, has been reappointed a member of the tribunal set up under the Prevention of Fraud (Investments) Act, 1939, for a further period of three years.

Mr John W. Jones, F.C.A., has been appointed an additional director of Stanhope Steamship Co Ltd.

Mr Ronald Williams, F.C.A., has been appointed a director of Bowmaker (Plant) Ltd.

Mr D. R. Mackay, F.C.A., has been appointed regional manager of Imperial Chemical Industries' Midland sales region. Mr Mackay was formerly regional manager of the company's Scotland and Northern Ireland sales region.

Mr T. J. Neal, A.C.A., has been appointed secretary to the New Consolidated Mines of Cornwall Ltd, St Austell, in succession to Mr H. B. Noon, F.C.A., who has resigned on leaving Cornwall.

Mr K. F. Bothamley, A.C.A., has been appointed secretary of Cranleigh Group Ltd.

OBITUARY

Albert Ernest Lark, F.C.A.

It is with deep regret that we record the death on March 23rd at the age of 88 of Mr Albert Ernest Lark, F.C.A., senior partner in the firm of Lovewell, Blake & Co, Chartered Accountants, of Great Yarmouth. He was still in practice at the time of his death and it was likely that he was the oldest practising accountant in the country.

Mr Lark commenced his career in accountancy at the age of 16 with Lovewell Blake & Co and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1893. He was elected to fellowship of the Institute in 1898 and became the first President of the East Anglian Society of Chartered Accountants which was founded in 1934.

He took an active interest in the affairs of Great Yarmouth and held office in a number of local organizations. A member of Yarmouth Conservative Club for more than fifty-six years, he was also a member of the Royal Norfolk and Suffolk Yacht Club and treasurer of the Yarmouth branch of the Mission to Seamen in respect of which he played a leading part in making possible the recent opening of a new Institute.

CHAIRMAN OF N.A.A.F.I. SERVICES COMMITTEE

Mr John Corbett, F.C.A., a partner in the firm of Peat, Marwick, Mitchell & Co, Chartered Accountants, has been appointed chairman of a committee to investigate the relationship between the Services and the Navy, Army and Air Force Institutes following the abolition of National Service. For the first time since 1939 the reversion to all-regular forces may well necessitate substantial changes in these relationships.

TITHE REDEMPTION OFFICE

The Inland Revenue has announced that the functions of the Tithe Redemption Commission are to be transferred to the Board of Inland Revenue with effect from April 1st. The Commission will be dissolved from April 1st, but all tithe work will continue to be the concern of a separate office.

Redemption annuities payable under the Tithe Acts, 1936 and 1951, will continue to be payable annually on October 1st. Correspondence should be addressed to the Controller, Tithe Redemption Office, Inland Revenue, 33-37 Finsbury Square, London, EC2.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will be held next Wednesday, April 6th, at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 p.m. for 6.30 p.m. The subjects for discussion will be: (1) The accountant's function in the oil industry; and (2) Companies Act revision.

SOUTH WEST LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Wood Street, Kingston upon Thames, at 6.45 for 7 p.m., on Monday next, April 4th, when an 'Open Forum' will be held.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m. on Monday next, April 4th, in the vestry of St. Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be 1 Timothy, Chapter 6, verses 11 to 16 (the commandment of a holy life).

INSTITUTE OF INTERNAL AUDITORS Birmingham Chapter

The next meeting of the Birmingham Chapter of the Institute of Internal Auditors will be held at *The Cambridge Inn*, Cambridge Street, Birmingham, on Thursday, April 7th, at 6.30 p.m., preceded by tea at 6 p.m. The speaker will be Mr S. Cuttall, of the

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National Coal Board, and his subject: 'Wages: internal control and audit'.

Non-members are welcome and inquiries regarding activities and membership of the Chapter should be addressed to Mr G. T. L. Judson, Chief Internal Auditor, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

Newcastle Chapter

The next meeting of the Newcastle upon Tyne Chapter of The Institute of Internal Auditors will be held on April 7th at 7 p.m. in the County Hall, Newcastle upon Tyne. The speaker will be Mr K. W. Arnold, A.S.A.A., County Treasurer of Northumberland, whose topic will be 'Management looks at internal audit'.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Mr D. A. Hughes, who was invited to join the committee following the resignation of Mr Hartley, was officially welcomed at the March meeting.

General Lectures

The experiment of starting the Monday evening lectures at 6 p.m. instead of 5.30 p.m. appears to be bringing slightly more encouraging attendances. Just over 200 members met in the Oak Hall to hear the Comptroller and Auditor-General give a talk on 'The system of control of Government finance'.

Speakers' Courses

Debating prizes for the spring session have been awarded to B. D. Price and D. Alabi.

On March 9th, an informal dinner and mock Parliament was held at *St Paul's Tavern*, when the 'National Service for Women Bill' was warmly debated before being rejected. On February 4th students went to Birmingham to represent the Society in a joint debate with the Birmingham Students' Society.

The course organizers have been encouraged by recent attendances, and are glad to see that a number of overseas students are making use of the course as an opportunity not only to exercise their debating skill but also to make new friends within the Society.

Annual General Meeting

This year's annual general meeting will be held in the Chartered Insurance Hall on April 25th when the report for the calendar year 1959 will be received. As has now become customary, a whole-day course has been arranged that day so that students who live and work outside London will have the opportunity of hearing lectures during the morning and afternoon and attending the annual general meeting in the evening.

Education and Training Submissions

Any member of the Society who is interested in seeing a copy of the submissions of the London Students'

Society to the Parker Committee on Education and Training for the Profession, will be pleased to learn that copies are now available for inspection in the library at Spencer House.

Sports

Results reported during February were: Squash, the Society beat Lloyds 3-2, and Old Harrovians 3-2; Association Football, the Society drew 4-4, with London Hospital; Hockey, the Society beat London School of Economics 1-0; Rugby, the Society beat Cardiff 34-8, and Coventry 28-3.

Residential Course

The week-end residential course for senior students will be held from September 15th to 18th at Balliol College, Oxford. An announcement will be circulated when details are complete.

Next Week's Meetings

The following meetings will be held next week:

Monday, Squash v. Old Paulines.

Wednesday, 7 p.m., at Reading: Lecture on 'Take-over bids', by Dr C. R. Curtis, M.Sc., Ph.D., F.C.I.S.

Thursday, Squash v. National Provincial Bank.

Week-end course of lectures and discussions at Corpus Christi and Pembroke Colleges, Cambridge:

Thursday, Lecture on 'Auditing - the principal's view', by Mr John D. Russell, M.A., F.C.A., Chairman, London and District Society of Chartered Accountants.

Friday, Lectures on 'How and why a business works', by Mr Maurice H. Peston, B.Sc.(Econ.), assistant lecturer in economics, University of London, and on 'The London capital market', by Mr A. H. Carnwath, Managing Director, Baring Bros. & Co Ltd.

Saturday, Lecture on 'Examinations and all that', by Mr D. V. House, F.C.A., Past President of the Institute.

Sunday, Service in College Chapel with an address by Rev. P. D. Hewat, B.A., Vicar of Grantchester.

Lecture on 'European free trade areas', by Mr H. H. Liesner, M.A., Fellow of Emmanuel College, lecturer in economics in the University of Cambridge.

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The Budget

THE purpose of this year's Budget, to use the words of THE CHANCELLOR OF THE EXCHEQUER, is 'to consolidate and fortify our present prosperity'. Like most exercises in consolidation it is solid rather than inspiring and exciting. It is in a sense more of an Exchequer Budget and less of an economic declaration of intent. There is little new on the economic side to add to what was made available last week in the *Economic Survey*.

So far as the general outline of the Budget is concerned, MR AMORY has done what most of the commentators in the last few weeks have said he would do. He has made few substantial changes and the sum total of all the alterations in taxation add up to caution. Given the outlook set down in the *Economic Survey* this was bound to be so. THE CHANCELLOR OF THE EXCHEQUER is riding a frisky mount this fiscal year and he must therefore be seen to control it with circumspection and perhaps a touch of aplomb. To change the metaphor, the fireworks are to come if at all from economic circumstances: the CHANCELLOR is there to see that they do not get out of hand. It is therefore not surprising that the Budget this year looks decidedly dull, except for chain-smokers on the one hand, and those about to lay down some wine on the other.

Last year was, in the CHANCELLOR'S view, a good one so far as the internal economic situation was concerned, and so was the fiscal record. The only disappointment was the state of the balance of payments. The overall policy of stimulating activity without raising prices succeeded. So far as the incoming year is concerned, exports are expected to be buoyant and personal consumption is expected to rise, but not as rapidly as in 1959. Public current expenditure is estimated to go up by $4\frac{1}{2}$ per cent. Private investment is expected to increase by at least 10 per cent this year. The build-up in stocks is thought likely to increase but not as rapidly as in 1959. Foreign investment is planned to stay high, so on balance MR AMORY thinks there is more chance of over-straining our resources than of failing to pick up the odd pockets of slack. Indeed, he went so far on Monday as to say that 'I think it likely that the time may soon come when it would be right that we should take other steps to restrain further expansion of private credit'.

Dull though it may be, this Budget is consistent with economic policy as operated in the last few months. The economy and the Budget are not to tug in opposite directions as they did under similar circumstances in 1955. This consistency of policy is the outstanding merit of this year's Budget.

So far as above-the-line accounting is concerned, the CHANCELLOR would expect to obtain a revenue of £5,598 million against expenditure of £5,586 million if there were no tax changes. This would give a surplus of £372 million compared with an actual surplus above the line in the fiscal year just ended of £386 million. Net below-the-line outlay is expected to be £703 million, which when set against the above-the-line surplus of £372 million leaves £331 million to be met by borrowing.

After a year in which the Government has had a difficult time in the gilt-edged market as well as with its redemption operations, it is not surprising that it casts a benign eye on the excellent performance of National Savings. In the new fiscal year the CHANCELLOR proposes taking such advantage as he can of the public's propensity to save and to enlarge this source of borrowing. He is accordingly raising the limit of individual holdings of National Savings Certificates from 1,000 to 1,200, and the limit of holdings of Defence Bonds is to go up from £2,000 to £5,000. Modifications in the Premium Bonds procedure are to be made and prizes of higher amount introduced.

On the Inland Revenue side, post-cessation receipts and terminal payments such as compensation for loss of office are to be subject to tax, and farming losses or any other trading losses

are to be admitted only if the activities are carried on 'on a commercial basis and with a reasonable expectation of profit'. There are a number of tax proposals of professional interest: wider powers are to be taken on dividend-stripping and certain other tax avoidance matters are also to be dealt with in the Finance Bill.

These and other changes in both direct and indirect taxation are discussed below under 'Taxation Changes'.

The changes will produce an above-the-line surplus of £304 million compared with the £102 million estimated for last year, and a below-the-line deficit of £622 million compared with last year's estimate of £721 million.

Although there is a certain amount of spring cleaning in this year's Budget, it is not the great reforming measure which a CHANCELLOR some day will have to introduce when times are equally prosperous. Nor is this at all a sophisticated Budget judged on economic grounds. MR AMORY has merely looked over the old weapons and given them a dusting. There is nothing here about dealing with difficult pockets of unemployment, or holding some part of the economy back while allowing other parts to go ahead. He is clearly more worried about what the doctors' and railwaymen's additional remuneration may do to prices than he is about sluggish recovery on Clydeside or in South Wales.

TAXATION CHANGES

Profits Tax

For the business community the sting of the Budget this year was decidedly in its tail. The CHANCELLOR left until the end of his speech the announcement that as from April 1st the rate of profits tax was to be 12½ per cent instead of 10 per cent. This is only a sixpence in the £ increase, but profits tax has to be paid out of net taxed profit so the increase will have a pronounced inhibiting effect on the payment of dividends – as, indeed, is the intention. When the Labour Government introduced the two-tier system in 1947 it provided for a rate of 12½ per cent. At that time profits tax was a deductible expense, so that the net effective rate – after deducting income tax at 9s in the £ – was only about 7 per cent. That was on distributed profit; on undistributed profit the gross rate was only 5 per

cent gross. These rates never in fact took effect; they were doubled by the second Budget of the same year.

The yield of the new increase will be only £1 million in the current year, £40 million next year, and £65 million in a full year. Fortunately the change is a simple one and will not require elaborate provisions. Investment allowances are retained, and these are a much better way of encouraging industrial expansion than the cumbersome and anomalous two-tier structure which was abandoned in 1958.

Reversing the *Whitworth Park* Case

The House of Lords established last December that Sections 169 and 170 of the Income Tax Act, 1952, which provide for deduction of tax from interest and annual payments, did not apply

where the Crown made the payment (*Whitworth Park Coal Co Ltd v. C.I.R.*) (see *The Accountant*, November 14th, 1959, page 448)). A number of colliery companies whose businesses had been nationalized received large income compensation payments from which the Crown deducted tax. The payments were assessable under Case III of Schedule D but assessments for the years in question are now out of time. Accordingly, some of the companies have been trying to recover the tax wrongly deducted. It is proposed therefore to validate the tax deductions by retrospective legislation.

Income Tax on Post-cessation Receipts

The final report of the Royal Commission on Taxation devoted a whole chapter to the problem of taxing receipts of a business which has ceased. The problem came into prominence as a result of the House of Lords decision in *Stainer's Executors v. Purchase* (30 A.T.C. 291) and the Commission recommended that post-cessation receipts be taxed under Case VI of Schedule D, and whether or not the business had been dealt with on a cash basis. Since then the case of *Carson v. Cheyney's Executor* (34 A.T.C. 347) has given further prominence to the anomaly and, according to the CHANCELLOR, the position is being exploited by some taxpayers to secure freedom of tax on their earnings. He accordingly proposes to adopt the Royal Commission recommendation, with due allowance for any relevant expenses or unrelieved losses. It is not clear what is to happen in the rather special case of barristers. The Commission expressed the view that no exception should be made in their favour, but the CHANCELLOR told a questioner that lawyers were 'a different kind of case, as I think the Rt. Hon. Gentleman will realize when he sees ... the Finance Bill'.

Compensation for Loss of Office

The growth of the practice of making large lump-sum payments as 'compensation for loss of office', in such manner that the payment is deductible as an expense but not taxable on the recipient, has been very rapid - particularly in view of the publicity which the Companies Act requires in relation to these payments. Here again the Royal Commission recommended anti-avoidance legislation which the CHANCELLOR

now proposes to adopt. Voluntary payments at the end of employment, and all payments described as compensation for loss of office, not being reasonable lump-sum payments in the nature of superannuation benefits, will be taxed. Also excluded from the new taxing provisions will be payments arising from physical injuries, certain payments made by Government or local authorities, and redundancy payments of limited amount. Evidently, some very complex Schedule E provisions are to appear in the coming Finance Bill.

'Clean Boot' Farmers

It was unlikely that 'clean boot' farmers would escape the CHANCELLOR's attentions this year, particularly after the widely-publicized comments in the last Revenue Appropriation Accounts. The CHANCELLOR proposes to confine loss relief to cases where the farming activities are carried on on a commercial basis and with a reasonable expectation of profit; with effect for 1960-61 and subsequent years. The new provisions will not be confined to farming, although it is mainly in farming that the abuse occurs. However, there will still be scope for some avoidance. Moreover, the subjective test to be imposed will clearly give rise to disputes and appeals. Capital allowances on farming and forestry assets will be similarly restricted.

Loss Relief under Section 142

The most ancient form of loss relief is that given by Section 142 of the Income Tax Act, 1952, formerly known as 'Rule 13 relief'. Under it, the loss on a new business could be claimed two, and sometimes three, times over. The relief is redundant now that so many other loss reliefs are available, and Section 142 is to be repealed.

Dividend-stripping

The Legislature has had several bites at the 'dividend-stripping' and 'bond-washing' cherries, but in spite of the almost unbelievably complex provisions which have been enacted against these forms of tax avoidance, they have continued. The CHANCELLOR has now decided to attack on a much broader front: to introduce a general anti-avoidance provision corresponding to the one directed against profits tax avoidance (Finance Act, 1951, Section 32). This provision will be confined to transactions in stocks, shares and

securities, and will carry a right of appeal to the Special Commissioners.

Nevertheless, it is a most unwelcome development, substituting 'the uncertain and crooked cord of discretion' for the 'golden and straight mete-wand of the law'. The CHANCELLOR said in justification that any provision which is limited in its application is carefully studied in order to find a new way of 'cheating' the Inland Revenue. This is an unfortunate attitude in a statesman. It is, or should be, the object of tax laws that they be certain, so that the citizen may know at the inception whether a particular transaction is going to attract tax or not, and to what extent. The draftsmen of the Acts having failed to achieve either clarity of expression or suppression of legitimate avoidance, are now taking refuge in provisions which leave the discretion to the Executive as to whether a particular transaction shall be taxed or not. It is to be hoped that this particular part of the proposals will be dropped or defeated.

Other Avoidance Devices

At the same time there will be a provision directed against financial operators who purport to sell stocks cum dividend, through the Stock Exchange, when they have no title to receive the dividend themselves. Also under attack is the device whereby the persons who control a company arrange, when the company is about to realize a taxable profit, to sell their shares in it so that the profit in effect comes to them in a capital form.

Another notorious tax avoidance device is that indulged in by persons controlling a group of companies, some trading and some non-trading. It is possible to switch investments from one to another in such a way that appreciations go to the non-trader, losses to the trader.

Personal Allowances

To turn from the depressing prospect of extensive anti-avoidance provisions, it is heartening to find a promised increase in personal allowances. Both the housekeeper and the dependent relative allowances are to be raised this year from £60 to £75; a somewhat belated recognition of the fall in the value of money. It is remarkable that a housekeeper is still regarded as being one-quarter cheaper to maintain than a young child.

The difficulties of a person having children but neither wife nor housekeeper have at last been recognized. A taxpayer not receiving the higher personal allowance, but entitled to child allowance and not having a resident housekeeper, is to be allowed £40. The combined cost of these two concessions is less than £9 million in a full year.

To avoid complications which would arise in the administration of P.A.Y.E. when the new system of graduated National Insurance contributions is introduced, the CHANCELLOR proposes a flat rate of allowance of £15 for every employee; except in the case of married women electing not to pay minimum contributions, who will be allowed £5.

Unit Trusts

Unit trusts have for a long time complained that they should be allowed to debit their management expenses as an expense in arriving at their income tax liability. The CHANCELLOR has now conceded this, with the very reasonable corollary that they should also pay profits tax in the same way as investment trust companies. Those concerned have told him that they would be content with this, from which it would seem that management expenses must represent a substantial burden on a unit trust's investment income.

Income Tax Penalties

At long last the promised Inland Revenue review of income tax penalty provisions, in relation to failure to make proper returns, has been completed. The CHANCELLOR says he will introduce the provisions for the changes he proposes in the forthcoming Finance Bill. He did not indicate in his Budget address what these changes would be, nor did he promise to repeal the existing provisions and enact an entirely new code, which is what is really wanted.

Post-war Credits

The extension of the categories of hardship for the purpose of immediate payment of post-war credits last year did not produce the flood of claims which had been expected. Accordingly a further widening is promised. The new categories will include persons who receive sickness or industrial injuries benefit, for a continuous period of twenty-six weeks after Budget day. Persons

continuously registered as unemployed for twenty-six weeks will also be able to claim; but not, apparently, persons who are sick for thirteen weeks and then unemployed for thirteen weeks. Persons who receive war or industrial injury disablement allowance on a 100 per cent basis may claim, as may widows entitled to credit in their own right.

Estate Duty

The CHANCELLOR has accepted the suggestion that estate duty on *inter vivos* gifts should be graduated by reference to the period of survival after the gift. Where a gift is made in the third year before death, 15 per cent of it will escape duty. For gifts in the fourth year before death, the reduction will be 30 per cent, and for gifts in the fifth year, 60 per cent. The cost is only £2 million in a full year.

MR AMORY also promised a 'concession' in relation to the assets basis of valuation of shares. An ordinary trading concern will always be valued as a going concern, and not on break-up value. The practice of the Estate Duty Office hitherto has produced some anomalous results.

Indirect Tax Changes

In the field of indirect taxation there are some swings and roundabouts. Tobacco duty is up by 3s 4d a pound, thus adding 2d to the cost of a packet of twenty cigarettes. On the other hand, the duty on fortified wines such as port and sherry is down by 12s a gallon, or 2s a bottle. This reduction is not made with the object of encouraging consumption, but rather to meet the special difficulties of Portugal which relies so much on exports of port wine. The duty on light wines imported in bottle, including champagne, is also reduced by 12s a gallon, but there is no relief for light wine imported in cask.

The continued decline in cinema admissions has induced the CHANCELLOR to repeal the last remnants of the entertainment tax.

A tobacco dealer's licence is to cost £1 without any reduction or allowance, instead of 5s 3d, but it is to last up to four years. Licences to sell intoxicating liquor in passenger aircraft and vessels are not to authorize the sale of tobacco, so a separate tobacco licence will be necessary. For the purpose of the duty on mechanical lighters, the definition of these articles is to be

altered as from August 4th next. The new definition is:

'any portable contrivance intended to provide a means of ignition, whether by spark or flame or otherwise, being a mechanical, chemical, electrical or similar contrivance'.

This ingenious definition could conceivably cover a match (which would make a box of fifty rather expensive), or the boy scout's two sticks, or a toy gun firing percussion caps.

The rebate on hydrocarbon oils may be withheld unless they contain markers and colouring substances.

Mechanically-propelled vehicles let on hire by a person carrying on the trade of selling such vehicles or letting them on hire are to be treated as hackney carriages for the purposes of the Vehicles (Excise) Act, 1949, irrespective of the period or hire, unless they are let under a hire-purchase agreement.

National Savings

The maximum permissible holding in current National Savings Certificates is to go up from 1,000 units (£750) to 1,200 units (£900). A new issue of 5 per cent Defence Bonds in June will provide half-yearly payments of interest in June and December. The maximum permitted holding of this new issue will be £5,000.

Next August a new issue of Premium Savings Bonds will provide for a maximum holding of £800, in place of the existing £500, and a reduced waiting period of three months. The rate of interest (net) on which the prize fund is calculated will rise from 4 to 4½ per cent per annum. Each complete £100,000 of the prize fund will be divided into

	£
1 prize of	5,000
10 prizes of	1,000
10 "	500
20 "	250
30 "	100
200 "	50
2,480 "	25

The new terms will apply as from November 1st next to outstanding bonds of the existing series.

We reproduce on the next page a table showing the estimated effects on revenue of the various tax changes.

**Estimated Effect of Changes in Taxation and
in the Payment of Post-war Credits**

	Estimate for 1960-61	Estimate for a full year
INLAND REVENUE	£	£
<i>Income tax:</i>		
Increase in the house-keeper allowance to £75	-500,000	-750,000
Increase in the dependent relative allowance to £75	-5,000,000	-6,000,000
Introduction of an allowance of £40 for widows and widowers ..	-1,500,000	-2,000,000
Allowing a flat rate of £15 to all adult employees for their graduated contributions to National Insurance	Nil	-11,000,000
<i>Income tax and profits tax:</i>		
Allowing management expenses of unit trusts and making them liable to profits tax	Negligible	-500,000
<i>Profits tax:</i>		
Increase in rate to 12½ per cent	+1,000,000	+65,000,000*
<i>Estate duty:</i>		
Graduated relief for gifts made more than two, three or four years before death of 15 per cent, 30 per cent and 60 per cent respectively	-1,000,000	-2,000,000
TOTAL INLAND REVENUE	-7,000,000	+42,750,000
CUSTOMS & EXCISE		
<i>Customs:</i>		
Tobacco	+39,000,000	+40,000,000
Wine	-3,660,000	-3,900,000
Playing cards	-10,000	-15,000
Purchase tax	Negligible	Negligible
Mechanical lighters ..		
TOTAL CUSTOMS ..	+35,330,000	+36,085,000
<i>Excise:</i>		
Tobacco	Negligible	Negligible
British wines	-90,000	-100,000
Playing cards (including manufacturers' licence duty)	-30,000	-45,000
Entertainments duty ..	-6,500,000	-7,000,000
Mechanical lighters ..	Negligible	Negligible
Tobacco dealers' licences	+70,000	†
Purchase tax	Negligible	Negligible
TOTAL EXCISE	-6,550,000	-7,145,000
TOTAL CUSTOMS AND EXCISE	+28,780,000	+28,940,000
MOTOR VEHICLE DUTIES	Negligible	Negligible
TOTAL	+21,780,000	+71,690,000
POST-WAR CREDITS		
Payment to holders in the categories shown in Table X.	-9,000,000	-500,000

* The yield in 1961-62 will be £40,000,000.

† No estimate for a 'full year' can be given as the effect of the change will be to cause receipts of tobacco dealers' licence duty to fluctuate from year to year.

BUDGET RESOLUTIONS

Included in the Budget Resolutions passed by the Committee of Ways and Means last Monday were the following:

INCOME TAX

10. Income Tax (Charge and Rates for 1960-61)

That income tax for the year 1960-61 shall be charged at the standard rate of seven shillings and ninepence in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, at such higher rates in respect of the excess as Parliament may hereafter determine.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

11. Income Tax (Personal Reliefs)

That -

(a) in sections two hundred and fourteen, fifteen, sixteen and eighteen of the Income Tax Act, 1952 (housekeepers, dependent relatives and others), seventy-five pounds shall be substituted for sixty pounds throughout, and correspondingly two hundred and ten pounds shall be substituted for one hundred and ninety-five pounds in section two hundred and sixteen;

(b) if a widow or widower, or any other person who is not entitled for the year of assessment to the higher (married persons) relief under subsection (1) of section two hundred and ten of that Act, and, in the case of a woman, is throughout the year in full-time employment or engaged full-time in some trade, profession or vocation or totally incapacitated by physical or mental infirmity, proves in the case of that year -

(i) that he is entitled to relief under section two hundred and twelve of that Act in respect of a child resident with him, but

(ii) that he is not entitled to any relief under the said section two hundred and fourteen, fifteen or eighteen, and either that no other individual is entitled to such relief in respect of the charge and care of that child or that his claim has been relinquished,

he shall be entitled to a deduction from the income tax with which he is chargeable equal to tax at the standard rate on forty pounds, the said deduction being however apportionable where more than one individual is entitled to a deduction in connection with the same child and subsections (4) and (5) of the said section two hundred and eighteen applying to the apportionment,

but this Resolution shall not require any change in the amounts deducted or repaid under section one hundred and fifty-seven (pay as you earn) of the Income Tax Act, 1952, before the twenty-second day of June, nineteen hundred and sixty.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

12. Income Tax (Tax-free Payments under Pre-war Provisions)

That as respects payments falling to be made in 1960-61 or any subsequent year of assessment the appropriate fraction for the purposes of section four hundred and eight-six of the Income Tax Act, 1952, shall be the fraction of which the numerator is the difference between twenty shillings in the pound and the standard rate of income tax for the year and the denominator is fourteen shillings and sixpence in the pound.

13. Income Tax (National Insurance Contributions)

That further provision be made with respect to relief from income tax in respect of contributions under the National Insurance Acts.

14. Income Tax (Losses, and Capital Allowances for Agriculture and Forestry)

That -

- (a) the availability of losses for relief against tax on other income, and of capital allowances, primarily available against agricultural or forestry income, for deduction from other income, and the operation of section twenty of the Finance Act, 1953 (subvention payments), shall be restricted by reference to whether the occupation of land or carrying on of a trade is on a commercial basis and by reference to expectation of profit;
- (b) section one hundred and forty-two of the Income Tax Act, 1952 (setting off losses of one trade against profits of another), shall cease to have effect.

15. Income Tax (Modifications of Tax Law to deal with certain kinds of Transaction)

That, to deal with certain kinds of transaction in securities (including stocks and shares) or in the assets of companies, or by way of payments or loans to a company, and with the liquidation of companies in certain cases, provision be made for charging income tax which would not otherwise be chargeable, and for withholding relief from tax or requiring the repayment of sums paid by way of relief.

16. Income Tax (Trades, Professions and Vocations)

That provision be made as follows with respect to the charge to income tax in respect of trades, professions and vocations, that is to say -

- (a) for including in the profits or gains chargeable to tax any sums released in respect of debts deducted in computing for tax purposes the profits or gains of a trade, profession or vocation;
- (b) for imposing any charge to tax in respect of profits or gains (including such sums as are referred to in the foregoing paragraph) arising from a trade, profession or vocation which accrue after the trade, profession or vocation has been or is treated for tax purposes as having been discontinued;
- (c) for amending the law with respect to the valuation for tax purposes of work in progress in cases where a trade, profession or vocation is dis-

continued or is treated for tax purposes as discontinued.

17. Income Tax (Compensation for Loss of Office)

That provision be made for charging to income tax money or money's worth not otherwise chargeable to tax which is paid or given in consideration of, or otherwise directly or indirectly in consequence of or in connection with, the loss, resignation or termination of an office or employment or an alteration of the functions or remuneration of an office or employment.

18. Unit Trusts (Income Tax and Profits Tax)

That for the purposes of income tax and the profits tax authorized unit trust schemes shall be assimilated to investment companies and the rights of unit holders to shares in investment companies, and that provision shall be made for determining in the case of authorized unit trust schemes the persons by whom either tax is to be payable as on income of an investment company and for treating certain amounts as dividends on shares belonging to the unit holders.

19. Penalties and Assessments (Income Tax and Profits Tax)

That new provision shall be made for charging tax in connection with failures to give due information or produce evidence as to matters concerning income tax or the profits tax (including tax for past years of assessment or chargeable accounting periods) and in connection with incorrect or incomplete statements as to such matters.

20. Income Tax (Public Departments)

That the following provisions shall have, and be deemed always to have had, effect for all purposes, including all the purposes of legal proceedings instituted before the date of this Resolution, that is to say -

- (a) all the provisions of the Income Tax Acts relating to the assessment, charge, deduction and payment of income tax shall apply in relation to public offices and departments of the Crown, but not so as to require the payment by any such office or department of any tax which would be ultimately borne by the Crown;
- (b) any reference in the said Acts to a payment as being not payable or not wholly payable out of profits or gains brought into charge to tax shall be construed as a reference to it as being payable wholly or in part out of a source other than such profits or gains;
- (c) there shall be excluded from paragraph (a) public offices and departments of any country, state, province or colony specified in subsection (2) of section four hundred and sixty-one of the Income Tax Act, 1952, but where premises are let to any such excluded office or department, tax to be charged under Schedule A in respect of the premises shall be charged on and paid by the landlord by reference to the rent, any deduction from rent in respect of tax made before the sixth day of April, nineteen hundred and sixty, being treated as lawfully made and as exonerating the landlord;
- (d) nothing in this Resolution shall affect the

operation of section twenty-five of the Finance Act, 1925 (liability of Governments of parts of Her Majesty's dominions to taxation in respect of trading operations).

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

PROFITS TAX

21. Profits Tax (Increase of Rate)

That as from the beginning of April, nineteen hundred and sixty, the rate of the profits tax shall be increased from ten per cent to twelve and a half per cent.

MISCELLANEOUS

22. Incidental and Consequential Charges (Income Tax, the Profits Tax and Estate Duty)

That for the purposes of any Act of the present Session relating to finance it is expedient to authorize—

(a) any incidental charge to income tax which may

arise from provisions extending (as respects 1959–60 and subsequent years) the relief for retirement annuity premiums;

(b) any incidental charge to income tax or estate duty which may arise from provisions as to the treatment for tax or duty purposes of persons connected with any international headquarters established under the North Atlantic Treaty or with any visiting force;

(c) any charge to the profits tax resulting from amendments of the law relating to income tax authorized by any Resolution of the Committee of Ways and Means passed in the present Session;

(d) any incidental charge to estate duty which may arise from provisions reducing the value of property for duty purposes where a specified part of a five-year period has elapsed before the death or from amendments relating to the valuation for duty purposes of shares in or debentures of companies to which section fifty-five of the Finance Act, 1940 applies.

Construction Contract Costs

A PROVEN METHOD OF CONTROL

CONTRIBUTED

THE large contract presents a field where cost control can be applied with equal success as gained by its use in the factory and workshop. The essential difference in application, however, as far as prime costs are concerned, is that the time factor will be simply the life of the contract as opposed to the annual basis. Also, each contract will have to be controlled individually.

The Estimate

The estimate is the starting-point. As soon as the tender is accepted and the official order received, then the estimate is divided into two parts, one for materials and one for erection. The materials section is issued to the contract engineer or the chief buyer, according to the procedure of the establishment. As the sequence of materials required comes from the planning office, orders are placed in the usual manner. Each order will bear the suppliers' accepted, quoted price, but on the cost department's copy the corresponding value in the estimate will be shown also. If there is little or no difference between the two figures then the order can be released immediately. On the other hand, a large variance may be found. When this occurs, the order is passed to the estimating office with a query as to the reason and then on to the chief engineer for a decision before the order is cleared. It is a mistake to

disregard gain variances, merely because no loss is incurred; a surfeit of these may well indicate the cause of too many unsuccessful tenders.

At the present time prices are more or less stable, but should increased costs occur from the date of estimate, then all order prices will have to be reduced to rates ruling at that time. This is done at the requisitioning stage so that retrospective prices are available when the orders are placed. For easy reference these contract date costs can be called outlay.

Historical costing is naturally out of the question if cost control is going to be exercised properly; costing by commitment must be the method.

As the cost office receives each copy order, the outlay and the estimated cost are recorded on the cost card or ledger sheet. The resultant variance is then entered: in black for loss and in red for gain. Each large variance should be tagged with the cause, e.g. buying, design modifications, quality, quantity or inaccurate estimating.

Commissions, royalties, carriage charges to site, material insurance, and, if an export contract, f.o.b. charges, freight, marine insurance, etc., should all be treated as materials. To complete the costing picture, dummy orders should be issued to cover. The estimated cost will be used in each case, thus no variance will be ascertained until completion.

Extras to contract, requested by client, should present no problem. The necessary orders should be suitably endorsed to this effect, and entered on a separate column of the cost card. No variances apply as the quotation for extras can be derived from actual cost.

Material expenditure, such as replacements against insured breakages, items chargeable to sub-contractors, returnable packing, etc., can be shown in yet another column headed 'recoverables'. Such reclaimable contingencies are not in the estimate and are not relatively important for control purposes but they must be isolated; otherwise fictitious values of variances would result. When these costs are retrieved, the appropriate credit is posted in the same column and thus a nil total should appear at the completion of the contract.

Recording Outlay

Generally, costs are required to be entered under job headings, but to control each job number would prove to be too unwieldy. Therefore the actual outlay will be recorded under the various job codes.

An example of the required cost card or ledger sheet layout is shown at the foot of this page.

The erection part of the estimate is handed to the cost office. There, based on past records and with the help of technical staff, an erection target is produced. This is segregated into job numbers, and man hours of labour are shown as well as costs. The idea of this is to bring the site engineer into the picture. If he is told that 2,000 hours are budgeted for a certain job number, he can easily ascertain the period in which that section should be completed, after taking into consideration the size of the labour force delegated to construct that particular section. Further, the psychological effect is worth considering. A site engineer who knows he has to work to an erection target needs less supervision, and thus the expense of head office visits to site will be reduced.

Weekly Report

Site clerical staff send in analysis of the man hours and total cost of each weekly wage bill.

From this a weekly report is prepared on the same lines as the target and is sent to the erection superintendent who holds the original. Sub-contracted labour, site staff salaries, tools and tackle charges are all included. With this close co-operation it should be impossible for erection costs to get out of hand.

Certain site overhead job headings can be introduced which will indicate weaknesses in head office departments. Three important examples are:

- (a) waiting for materials;
- (b) rectifying makers' faults;
- (c) modifications.

If considerable expenditure appears against these it proves, in the case of (a) and (b), that the progress and inspection departments are not up to standard, and against (c) that too many errors are occurring in the drawing office.

'Bad weather time', 'labour disputes' and 'other idle time', can all be instituted so that if the estimate is exceeded, the costs under these titles, along with the others mentioned previously, will detail some, if not all, the causes. Also it will aid the estimators to gauge how much to allow for these hazards in future estimates.

Apart from this weekly report, a permanent cost record is kept with the materials, but on a monthly basis. The layout is similar, but as erection expenditure is incurred, an equal amount is taken out of the estimate. Therefore no variance gain is shown until the end of the contract, but a loss becomes apparent immediately after costs exceed the estimate. This is not detrimental to the scheme, however, as the control exercised by the erection superintendent from the weekly reports is strict enough.

Along with the contract cost cards, or ledger, it is necessary to keep a day-book for registering payment of invoices and site expenditure. Once again materials and erection are kept separate, and each entry is segregated into outlay and increased costs.

Monthly Statement to Management

At monthly intervals a comprehensive report can be issued to management against each contract on the lines indicated on the next page.

Order No.	Outlay	Amount in Estimate	Extras to Contract	Variances		Reason	Recoverable	Outlay to Job No.
				Loss	Gain			

N.B. - The description of the material is entered on the job number card.

ESTIMATE.

Contract ref.

Materials - Amount + Extras + Recoverable = £x

Erection - " " " " £y

Mnth.	Invoiced	Ordered but not invoiced	MATERIALS Variance		Recoverable	Yet to Order	Total
			Loss	Gain			
1960	Expended	Committed but not invoiced	ERECTION Variance		Recoverable	Not committed	Total
			Loss	Gain			
M Jan.							£x
E							£y

Extras to contract are shown at the top of the report sheet but they need not be given separately in the body of the report. Recoverables are included, however, thus giving indication that they are not being neglected. Cost-card entries for these should not be made until they are recorded in the day-book. This exception to rule is required because they are not commitments in the true sense.

METHOD:

Col. 1. Invoiced in day-book .. £
 Less recoverable from cost
 card £ — £

Col. 2. Total ordered from cost
 card £
 Less total invoiced from
 day-book £ — £

Col. 3. Loss (Black) .. £
 Gain (Red) .. £

Col. 4. Recoverable from cost card £

Col. 5. Total of estimate £
 Plus extra to contract from
 cost card £ —

Less:

Amount ordered in esti-
 mate from C.C. .. £
 Plus extra to contract .. £ —

£
 TOTAL £

N.B. - In arriving at the total, all the figures must be added together, including the red gain variance, but the black, loss variance should be subtracted.

Overhead Budget

To close all avenues of unprofitable expenditure, it is now necessary to prepare an overhead budget. Unlike the control of contract outlay, the annual principle can be adopted. As fixed overheads remain the same each year, they can be omitted. Only variable items of cost, such as salaries, travelling, advertising and research expenses, etc., will be included.

The best method is for the whole budget to be divided between heads of departments, including executive management. After agreement has been reached upon the amount of work to be expected, each responsible official should forecast his own departmental expense for the coming year. Accounts department will collect and code each individual budget, and, as costs accrue, issue monthly statements.

It is more than difficult for organizations which handle large contracts to judge with any accuracy the amount of orders likely to be received. This obstacle, however, should be no deterrent. The budget can be made flexible and adjusted periodically. Alternatively, a better method would be to leave the budget as it stood and at the end of the year give the reasons, backed up by figures, for any deviations.

To round off, management should provide themselves with a profit target based on the facts which decided the overhead budget, and the amount of it. A check with actual need only be done half-yearly.

In describing the foregoing system for large contract cost control, only a bare outline has been given. Amendments and variations can be made to suit various types of contracts without upsetting existing costing and accounting methods to any great extent.

Weekly Notes

National Income in 1959

THE main figures in the national income and expenditure calculations for 1959 have already been published in a statistical appendix to the *Economic Survey 1960*. Some of the detail is now filled in by the annual White Paper 'Preliminary Estimates of National Income and Expenditure'.¹

In 1959 the gross national product at factor cost was £20,831 million, compared with £20,149 million in 1958, an increase of about 3½ per cent compared with an increase of 4 per cent in 1958. Total personal income, before providing for depreciation and stock appreciation, was £19,723 million compared with £18,846 million in 1958, an increase of 5 per cent. Income from self-employment rose by 6 per cent. The very slight decline in the rate of expansion of the national income in 1959 was mainly due to external trade factors and not to domestic expenditure.

Gross trading profits of companies (before providing depreciation and stock appreciation), were £3,370 million compared with £3,062 million, an increase of 10 per cent. Dividends and interest payments went up by the same percentage. In 1958, thanks to the trade recession, trading profits had been lower than in 1957 and the recovery in 1959 put them at a new high level. Gross fixed capital formation at home increased from £3,518 million in 1958 to £3,636 million last year. But it is noticeable that this 3½ per cent increase had to absorb a slight reduction in the gross fixed capital formation by companies. The value of the physical increase in stocks and work in progress went up over the year from £135 million to £235 million and there was a drop in net investment abroad from £349 million to £145 million.

The outstanding feature of the national income statistics continues to be the high level of savings. The actual figures are given in Table 6 of the White Paper. In 1959, personal savings were £1,469 million compared with £1,250 million in 1958. This represents an increase of 17 per cent. The size of the advance is emphasized by the slight fall in the level of savings last year. The previous peak in personal savings had been in 1957 when they were £1,320 million. The rate of growth in recent years is shown by comparing last year's figures with 1954, when personal savings were £584 million. Since savings by companies were also buoyant last year, total national savings, before providing for depreciation and stock appreciation, recorded an 8 per cent increase.

The real increase in the national income last year (Table 8 of the White Paper) was about 3½ per cent

compared with a drop of less than 1 per cent the year before. In other words, the statisticians' calculations have recorded, as was already known, that last year was a period of stable prices.

Fiscal Deficit in 1959-60

THE original Budget estimate for 1959-60 was for an overall deficit of £721 million. In the event, it worked out at £314 million. This outcome was partly the result of buoyant revenue and partly due to smaller below-the-line expenditures than had been expected.

Most of the main sources of revenue did better than was estimated. The biggest surplus was in income tax, but there were also substantial gains in surtax, death duties and stamp duties. There was also a substantial margin in revenue from customs. Indeed, out of a surplus of £306 million, about £183 million came from income tax and customs duties. The only major source of revenue to record a deficit was profits tax.

Above-the-line expenditure was slightly higher than budgeted but there was a significant drop in net expenditure below-the-line. This was due, in the main, to smaller allowances for advances to nationalized industries, except in the case of coal, where the advance required was larger than originally estimated. In a year when exports were buoyant, the outlay of export credits showed a decline.

On paper, it is possible to say that the Chancellor could have balanced his Budget in the new fiscal year without any taxation changes, but he had to take into account a loss of £65 million from Budget changes made last year and has a considerably larger expenditure below-the-line, some of which has not appeared in the Budget but which will have to be provided for later in the year, including the financing and any reorganization there may be of the railways.

Employers' Memorandum to Truck Acts Committee

IN a memorandum sent to the Truck Acts Committee, the British Employers' Confederation has expressed the view that if any Truck Act legislation is to be continued in force—and the Federation's primary recommendation is that there is no need for it—then the whole of the existing Acts should be repealed and a fresh start made. The Confederation's argument has been that the Acts have outlived their purpose, that there is no evidence that the large sections of the employed population who have never been subject to the Acts are any the worse for their exemption from them, that many of them in fact enjoy advantages barred from those to whom the Acts apply, and that the Acts are unfair to employers.

In the Confederation's view, employers and employees should be free to enter into a contract of service which might, if desired, involve payment of part of a man's wages in kind, and it accordingly urges that future legislation should contain no pro-

¹ Cmnd. 988, H.M. Stationery Office, 15 net.

hibition against such a contract, which it considers is not, in existing economic conditions, open to abuse. The Confederation appreciates that if the Payment of Wages Bill becomes law, there would have to be some alteration in its scope consequential on the Confederation's recommendations being accepted; the requirement to pay wages in cash would have to be limited to such part of any remuneration as was expressed under the contract of service to be payable in money, subject to authorization of some other form of payment under the Bill and to permissible deductions.

The Confederation points out that Section 2 of the Truck Act, 1831, which renders illegal any contract which stipulates how wages are to be spent, would seem to prevent an employer from requiring an employee as a condition of employment to join a contributory pension scheme or similar provident scheme, and might also be held to invalidate any system of luncheon vouchers. The Confederation says that there should be no ban on the imposition of conditions as to the manner in which wages are expended, provided that any such condition is not to the detriment of the employee. The memorandum also deals with deductions from wages, and in this connection with the position of workers in industries covered by Wage Councils.

Mias Prosecutions

THE trial in what has been known as the *Mias* case¹ was concluded on Monday when the four individual defendants and Mias (Holdings) Ltd were all found guilty of conspiracy. No separate sentence was imposed on the company but the four individuals received sentences of from eight to two years. They were Louis Granville Gordon, 41, whose address was given at the Magistrate's Court as Neville Road, Rottingdean, Sussex (eight years); Francis Thomas Duffy, 39, company director, of Sefton Street, Southport, Lancashire (three years); Arthur Rowley, 45, of Norwood Road, Stockport, Cheshire, builder (two years); and Denzil Gordon Coleman, 40, of Manor Gardens, Hampton, Middlesex, formerly secretary and a director of the Mias group (three years). In addition, Gordon alone was found guilty of a charge that with intent to defraud he caused a cheque for £200 to be delivered to Mias (Holdings) Ltd by falsely pretending that the company was solvent and carrying on a genuine business and that statements in a circular were true and accurate.

It was alleged by the prosecution (according to *The Times* of April 5th) that in eleven months a total of £339,000 had poured into the insolvent group of companies in response to literature being sent out week by week, in spite of warnings from the group's auditors. After imposing sentences, Judge Aarvold said that Mr Lord, of the firm of Brierley & Lord,

Chartered Accountants, who were auditors to the Mias group, had acted in accordance with the highest principles of his profession.

Father Taxed on Daughters' Income

THE Court of Appeal has dismissed the appeal of Mr Henry Rupert Hood Barrs against assessments to surtax made on him for the five years 1941-42 to 1946-47 in respect of dividends from 180,000 5s ordinary shares in Steel Barrell, Scammells & Associated Engineers Ltd. Mr Hood Barrs had appealed on the ground that the shares had been validly transferred to his daughters.

The Master of the Rolls, giving judgment (as reported in *The Times*, March 24th) said that the question was whether the appellant had discharged the onus of showing that he had parted with the beneficial interest in the shares which he had transferred to his daughters. Neither he, nor his wife, nor any of his daughters had given evidence to the Special Commissioners at the hearing of the appeal. His lordship remarked on the fact that one daughter, on her wedding day, had transferred some of the shares to her mother for a stated consideration of £41,000 which had never been paid, according to the evidence. On the face of it the original transfers to the daughters were ordinary commercial transactions passing the beneficial interest but that was not conclusive. Mr Hood Barrs had failed to show that he had been wrongly assessed on the dividends. Leave to appeal to the House of Lords was refused.

Cyril Lord Excess Profits Levy Appeal

MR JUSTICE McVEIGH in the Northern Ireland High Court on March 24th remitted to the Recorder's Court for re-hearing, appeals by Cyril Lord Ltd against two assessments made on it to excess profits levy, one for the year 1952 and the other for the eleven months ended November 30th, 1953. The appeals had been heard by Judge Fox in 1957. He had dismissed them in July 1958 and had since retired. The two questions at issue were:

- (1) Whether Rodney Fielding Inc, a wholly-owned New York subsidiary of the appellant, was on January 1st, 1952, ordinarily resident in the United Kingdom so that its losses could be set off against the parent's profits for excess profits levy purposes.
- (2) Whether, in computing those profits, the actual stock as at January 1st, 1952, and January 1st, 1953, should be taken at cost or at the lower market value.

Mr Justice McVeigh pointed out that Judge Fox's rejection of the appeals had taken place before the English High Court had heard a similar case in July 1958. While the facts of the English case were not on all fours with those in the *Cyril Lord* appeal, there could be little doubt that if the English decision had been available to Judge Fox it would have had a close bearing on the approach which he made to that appeal.

¹ See *The Accountant*, October 31st, 1959, page 386.

Post-war Credits

AS announced by the Chancellor of the Exchequer in his Budget speech last Monday, the Treasury have laid before the House of Commons new draft regulations – Post-war Credit (Income Tax) Amendment Regulations, 1960 – which prescribe additional qualifications to receive repayment of post-war credits.

The new classes who will qualify as from May 16th next, as set out in Regulation 3, are as follows:

- (1) **SICKNESS.** – Persons who for a continuous period of twenty-six weeks ending after April 4th, 1960, have been receiving sickness or industrial injury benefit, or who would have been receiving such benefit but for special arrangements made with

their employers, or who have been in-patients in hospitals or nursing homes.

- (2) **DISABILITY.** – Persons who after April 4th, 1960, are receiving war or industrial injuries disability pensions in respect of assessments of 100 per cent, or an allowance under the Workmen's Compensation and Benefit (Supplementation) Act, 1956, or the Workmen's Compensation (Supplementation) Act (Northern Ireland), 1956.
- (3) **UNEMPLOYMENT.** – Persons who for a continuous period of twenty-six weeks ending after April 4th, 1960, have been registered as unemployed.
- (4) **WIDOWHOOD.** – A person who at any time after April 4th, 1960, is a widow.

The regulations are to come into force on May 16th, but no payment of credits will be made by virtue of these regulations before June 13th.

This is My Life . . .

by An Industrious Accountant

CHAPTER 19

IT was nearly lunchtime yesterday when a hesitant knock on my door heralded the arrival of one of our senior counter-assistants to ask for a few minutes of my time. He's an old-world type; thin, stooped, and greying, with patient eyes behind thick glasses, and known over his years with us for his integrity and conscientiousness. He was clearly worried stiff.

He poured out his story with a sort of painful intensity: there was 'fiddling' in his department. He had gradually learned of it only recently, and had remonstrated vainly with the culprit. He would prefer not to name him; but there was systematic faking of invoices and deliveries for special customers.

Petty pilfering, of course, is the curse of the retail store, and this 'brother-in-lawing' – as the Americans call it – is a specialized form of it. If your best friend orders and pays for a cheap overcoat, you wrap up your best Crombie; if he wants half a dozen boxes of cigarettes, you wrap up a dozen boxes of cigars.

I mentally listed the eight assistants in his department: six were of varying personalities whose honesty was almost tangible; one a stolid pokerface of unreadable character; the last, a cheerful, exuberant extrovert, with a ready flow of chatter, though with narrowed, watchful eyes, who had a regular clientele of good customers on excellent terms with him.

My old-world friend was clearly uncomfortable, and fidgeted. Then the penny dropped. . . . 'Is something going on right now?' I asked. He nodded miserably. So down to the department, looking aloof, leisurely and casual, and feeling like Wyatt Earp. There was Extrovert, cheerful as ever, just tying up some large parcels; and his customer, a hard-faced character, standing by.

I strolled over in nonchalant style. Introductions, chatter about business; everything seemed entirely normal. Then I noticed our other young assistant, who countersigns the parcels, in the background; his complexion had gone almost green, eyes frantic, guilt personified. Thoughts chased through my mind: I can't allow the goods out . . . they're already being sent to the lift. But what to do?

The legal position is that I couldn't challenge anyone outside the store in a public place, but I can always check a parcel inside. So the bluff act again: 'So sorry, you chaps, our routine check is every hundredth purchaser. So sorry for delay.'

The reaction was instantaneous. Two fiercely aggressive men shouting suddenly. 'What the so-and-so do you think you're doing . . . you can't treat a good customer like this . . . it's an insult . . . I'll call my solicitor . . . stop this nonsense and clear the parcels at once.'

A couple of phone calls brought down a senior buyer; the green-faced accomplice was relegated to a private room. The little cluster of staring staff vanished suddenly, while no doubt the grapevine started to hum.

The opened parcels spoke for themselves. Six times the value of the original order was packed unobtrusively inside – did you know that four silk dressing gowns fit unnoticeably inside one heavy woollen one?

The psychological angle was interesting. The customer merely commented that he was calling his solicitor and he'd raise a slander action if one word was said against him; our extrovert just maintained dead silence even when he was being summarily sacked; and his assistant gave the whole story away in return for a promise of leniency.

The managing director castigated me with cold precision. 'Excellent intentions, no doubt, Mr Secretary, but regrettable haste. Preferable to wait and report . . . catch the whole gang.'

Exit one secretary, deflated. 'He who exalteth himself shall be humbled.'

Reviews

Accounting for Inflation

by LIONEL A. WILK, D.F.C., M.A., F.C.A. (Sweet & Maxwell Ltd, London. 35s net.)

The Chinese proverb, 'Do nothing and all things will be done', defines in the main the attitude which the accountancy profession adopted to the impact of severe inflation on the financial accounts of commercial and industrial companies during the decade following the Second World War. It is true that the various accountancy bodies consulted with each other and, jointly, with other non-accountancy bodies and many books and pamphlets, official and otherwise, were published. No common conclusions, however, were reached nor any rules promulgated for the simple and adequate reason that the measure of agreement achieved was too slender to form a foundation for a united policy.

Since then, time and other outside circumstances have taken a hand and, while still present, the problems of currency fluctuations do not appear to be so pressing as they were. The expansion of the national economy has created new wealth and industrialists have now become accustomed to replacing post-war plant (instead of pre-war plant) at post-war prices and, generally, to thinking and planning ahead in terms of current earnings. Their chief heartbreak, understandably, is having to pay away in taxation so much money which might more equitably be used in consolidating their undertakings.

But although the industrialist has learned to live with inflation and would, no doubt, adapt himself with equal resilience to deal with deflation if and when it came (the possibility is not so remote as it at present seems – the general level of wholesale prices in 1930 was lower than that during the Napoleonic wars), it must be admitted, as Mr Wilk says in his careful study, that changes – up or down – in the value of money will always lessen the usefulness of financial accounts based on hitherto accepted accounting principles. The task he sets himself is to evolve methods of recording such monetary fluctuations in financial accounts which will continue to be orthodox in other respects. For the profit and loss account, he suggests that it should identify the element of gain or loss in the general purchasing power of the business over the year contained in the results. The measure would be a national monthly price index prepared by 'a committee composed of representatives of independent professional bodies, employers and employees'. In the balance sheet his remedy, briefly, would be to remove from revenue reserves and show separately as a capital maintenance

reserve, the amount (ascertained by a similar index) necessary to maintain the purchasing power of the company's capital.

Mr Wilk elaborates and illustrates his ideas very convincingly. The administrators of the P. D. Leake Trust must feel gratified that such a work, scholarly yet practical in outlook, has resulted directly from one of their Research Fellowship awards.

Group Accounts

Second edition, by D. J. BOGIE, PH.D., C.A. (Jordan & Sons Ltd, London. 63s net.)

The Companies Act of 1948 which, as it were, dictated the fashion, did not contain or refer to any hard and fast rules for the method of preparing consolidated accounts so that in the past twelve years, companies have had to evolve their own forms of presentation slowly and, in many instances, laboriously. The wise accountant who in one capacity or another has found himself involved in such exercises has seen to it that he had a copy of *Bogie* by his side. This work, which was first published in 1949, has since been supplemented by other books on the subject but has never been superseded by them. It now ventures into its second edition with all its pennants – in the form of coloured diagrams – flying and trailing copious examples and appendices.

Part I explains the basic principles and is intended chiefly for students preparing for examinations. Part II deals with the more advanced and complicated problems encountered in practice. Each is self-contained but, as a proper grasp of Part I is essential to the full understanding of Part II, all but those already expert in the subject are advised to begin at the beginning and work their way, chapter by chapter and example by example, through the 300-odd pages of this extraordinarily informative book.

Computers and People

by JOHN A. POSTLEY. (McGraw-Hill Publishing Co Ltd, London. 46s 6d.)

The word 'computer' is still alarming to many people, and this is a book designed to still fear and substitute respect. It is written for the layman, although the author no doubt hopes to reach a wider audience, and the result is both interesting and informative.

So far as possible business applications are concerned, Mr Postley quickly removes the aura of magic which so often surrounds computers and states 'the digital computer does not, in itself, provide anything beneficial'. There is no question of a mechanical contrivance making a take-over bid for the post of managing director. Nor does the use of E.D.P. necessarily – nor even commonly – lead to direct cost savings. What it does do is offer to management the possibility of information which is just not obtainable from the use of other systems.

This beguiling and encouraging opening is followed by excellent chapters on 'The tools at hand' –

that is, what can be expected of existing E.D.P. equipment – and 'Fitting equipment to the job', in which the need to decide what the business wishes to do, before attempting to choose the computer to do it, is emphasized. It is at this point in the book that the reader who has begun to think that computers are not, after all, such terrifying artifacts is lead inexorably to the conclusion that the advent of computers to the business world will inevitably call for honest self-inquiry by managers into the ways in which they attempt to do their jobs at present.

Most of the second part of the book is taken up with sketching the new concepts required in business management if computers are to be enabled to play their part, and in boosting the 'ego' of the computer itself by showing that it can be left to take many of the decisions which pre-computer management considers can be arrived at only through the exercise of special skills. This reassertion of the great potential of the computer is interesting, as it seems to represent the beginning of a new stage in the appreciation of E.D.P.

The final and longest chapter tries to sketch possible future lines of development by describing some of the unusual tasks which E.D.P. has already carried out. If any business man retains an attitude of superiority up to this point, he will soon be deflated when he learns that such normally proud individuals as Hebrew scholars and the Federal Bureau of Investigation have been only too glad to make use of computers to achieve results which might otherwise have eluded them for years, if not for ever.

This book is not only very readable – and, incidentally, nicely produced, without being glossy or formidable in the manner of many American books – but also succeeds, by examining E.D.P. from a detached standpoint, in making a strong case for some study of its characteristics and powers to be undertaken by all who are concerned (whether from within as employees or from without as advisers) with the efficiency of businesses.

The Story of Investment Companies

by HUGH BULLOCK. (Oxford University Press, London. 48s net.)

Basically, this is a history of American collective investment but, in setting the scene, the author is led logically to consider its British ancestors, the English and Scottish investment trust companies. For a century before the First World War, this country was the world's leading creditor nation and, on this sure foundation, the movement started and prospered. Three cities are particularly associated with its origins and growth – London, Edinburgh and Dundee. It has had three main formative periods – the late 1880s, the years immediately preceding the 1914–18 war and the late 1920s. It has, too, survived four severe tests – the Baring crisis of 1890, the two world wars and the depression of the 1930s. Today, the

total assets of British investment trust companies exceed £1,000 million with almost another £100 million in unit trusts.

If certain financiers of Great Britain – of whom Robert Fleming, of Dundee, was the pioneer – were the early masters, their American counterparts have proved apt pupils. There are now \$15,000 million invested in United States mutual funds and thirty investment companies each have assets of over \$100 million. Mr Bullock tells the story of this remarkable accumulation of capital as a historian and comments on it as a man of affairs and his observations, penetrating yet always urbane, indicate the outlook, essential to all serious investors, of a philosopher. The result is a book of great authority and understanding which should become one of the standard works of financial literature.

RECENT PUBLICATIONS

THE ESTATE DUTY ACT, with a Commentary, Critical and Explanatory, by D. H. Nanavati, B.A., LL.B. xxix+430 pp. 10×6½. 50s. N.M. Tripathi Private Ltd, Bombay. Stocked and distributed in the U.K. and Europe by Sweet & Maxwell Ltd, London.

ELECTRONIC COMPUTERS AND THEIR BUSINESS APPLICATIONS, by A. J. Burton, F.C.A., A.C.I.S., and R. G. Mills, M.A., M.Sc., with a preface by A. J. Barnard, B.A., A.S.A.A. 325 pp. 9×6. 45s net. Ernest Benn Ltd, Bouverie House, Fleet Street, EC4.

PUBLIC LIBRARY FINANCE AND ACCOUNTANCY, by Edmund V. Corbett, F.L.A. xi+212 pp. 9×6. 24s (18s to L.A. members) plus 6d postage. The Library Association, Chaucer House, Malet Place, WC1.

THE LITERATURE OF THE SOCIAL SCIENCES, an Introductory Survey and Guide, by Peter R. Lewis, F.L.A. xx+222 pp. 9×6. 28s (21s to L.A. members) plus 6d postage. The Library Association, Chaucer House, Malet Place, WC1.

ACCOUNTING FOR OIL AND GAS PRODUCERS, Principles, Procedures and Controls; by C. Aubrey Smith, Ph.D., C.P.A., and Horace R. Brock, Ph.D., C.P.A. xvi+536 pp. 9½×6½. 72s. (Prentice-Hall, Inc., Englewood Cliffs, New Jersey. European Division: 28 Welbeck Street, London, W1.)

PROBLEMS AND PRACTICES OF DEVELOPMENT BANKS, by Shirley Boskey. xv+201 pp. 9×6. Card covers. 28s net. Published for The International Bank for Reconstruction and Development by The Johns Hopkins Press, Baltimore. Oxford University Press, London.

DIRECTORY OF OPPORTUNITIES FOR GRADUATES 1960, with a Preface by The Rt. Hon. the Lord Godber, Editor, Clive Labovitch, M.A.; Editorial Advisory Board, C. E. Escritt, M.A., E. D. Foster and R. W. Pennock, M.A. 248 pp. 9×5½. 8s 6d net. Cornmarket Press Ltd, 1 Lower James Street, London, W1.

DIRECTORY OF OPPORTUNITIES FOR QUALIFIED MEN 1960, with a Preface by Sir Halford Reddish, F.C.A. Editor: Clive Labovitch, M.A.; Editorial Advisory Board, C. E. Escritt, M.A., E. D. Foster and R. W. Pennock, M.A. 128 pp. 9×5½. 8s 6d net. Cornmarket Press Ltd, 1 Lower James Street, London, W1.

A MANUAL OF FOREIGN EXCHANGE, fifth edition, by H. E. Evitt. viii+260 pp. 9×6. 21s net. Sir Isaac Pitman & Sons Ltd, London.

THE LAW OF AGENCY, by G. H. L. Fridman, M.A., B.C.L. (OXON.), LL.M. (ADELAIDE). xlvii+293 pp. 10×6½. 37s 6d net. Postage 2s 3d extra. Butterworth & Co (Publishers) Ltd, London.

MANAGEMENT SURVEY, by Sir Frederic Hooper. 218 pp. 7½×4½. 3s 6d. Penguin Book, Harmondsworth, Middlesex.

Finance and Commerce

Hidden Reserves

LIFE assurance is the subject of this week's reprint which is from the annual report for 1959 of The Scottish Widows' Fund and Life Assurance Society. This is one of the mutual companies which means, of course, that it has no outside shareholders.

In some ways there is a very close resemblance between the life assurance company and the invest-

ment trust company. Both are in the category known as 'institutional investors', the insurance company investing its policy-holders' premiums and the trust, its shareholders' capital.

A rough glance at the Scottish Widows' balance sheet shows that practically £100 million of its total assets of £137 million is in British Government securities and Ordinary stocks. The investments are shown 'less reserves' but without benefit of the current market value figure provided by the investment trusts.

From these hidden reserves, £5½ million are being drawn this time to meet the cost of special bonuses. The amount comes into the life assurance account for the year, helping to lift the life fund from £114,308,611 to £132,172,230, the £5½ million writing up being almost the sole reason for the increase in Ordinary stocks from roughly £44 million to £50 million.

THE SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

BALANCE SHEET ON THE 31st DECEMBER 1959

LIABILITIES		ASSETS	
1958		1958	
£114,308,611	Life Assurance and Annuity funds . . .	£1,070,654	Mortgages on property within the United Kingdom . . .
771,202	Capital Redemption Assurance fund . . .	1,390,247	Loans on public rates . . .
		47,319	Loans on life interests and reversions . . .
115,079,813		1,574,288	Loans on the Society's policies . . .
500,000	General reserve fund . . .	24,229	Loans on rent charges . . .
395,060	Claims admitted or intimated but not paid . . .		Investments, less reserves:—
459	Annuities due and unpaid . . .		British Government securities and securities
106,259	Expenses and commission outstanding . . .		guaranteed by the British Government . . .
	Sundry outstanding accounts (including re-	39,912,131	Other Commonwealth Government se-
374,501	serves and provisions) . . .		curities . . .
1,365,377	Deposits with the Society . . .	103,063	Municipal and county securities (Great
	Interest received in advance and sums lodged	231,823	Britain) . . .
47,657	to meet premiums, etc. . .	349,603	Securities of public boards (Great Britain) . . .
260,290	Outstanding for stocks subscribed for and	144,595	Foreign Government securities . . .
	stocks purchased but not delivered . . .	11,963,343	Debentures and debenture stocks . . .
	The Stock Exchange securities stand in the	11,593,841	Preference stocks . . .
	balance-sheet under their market value (based	44,353,944	Ordinary stocks . . .
	on the lowest quotations less accrued interest)	948,007	Ground rents and feu duties . . .
	at the date of the balance-sheet.	39,287	Life interests . . .
	Assets and liabilities in currencies other than		Subsidiary company: Scottish Reversionary
	sterling have been converted into sterling at		Co. Ltd. (in voluntary liquidation)
	the official rates of exchange at 31st December		Ordinary shares (at cost less sums received
	1959.		from liquidator and less reserve) . . .
	£22,500 4 per cent Funding Loan 1960-90 has	100,000	House property (at cost less written off) . . .
	been deposited as security to holders of	1,309,434	Agents' balances . . .
	policies issued in the Republic of Ireland.	214,996	Outstanding premiums . . .
	The Board of Trade have directed that the	591,860	Outstanding interest, dividends and rents . . .
	provisions of paragraph 15 (4) of the Eighth	51,012	Interest accrued but not due (less reserve) . . .
	Schedule to the Companies Act, 1948, regard-	526,412	Cash in hand and on current accounts . . .
	ing the information required to be given where	70,297	Outstanding for stocks sold for subsequent
	group accounts are not submitted, shall not	76,829	settlement . . .
	apply in relation to the subsidiary company	671,000	Sundry outstanding accounts . . .
	mentioned in this balance-sheet.		Capital Redemption Assurance Fund—
	No part of any fund has been applied, directly	210,000	Loans on public rates . . .
	or indirectly, for any purpose other than the	561,202	Loans on the Society's policies . . .
	class of business to which it is applicable.		
£118,129,416		£118,129,416	

R. L.L. GWILT, General Manager and Actuary

ALASTAIR C. BLAIR, Chairman
F. H. N. WALKER, Director
DOUGLAS MURE WOOD, Director

AUDITOR'S REPORT

I have audited the books and accounts of the Scottish Widows' Fund and Life Assurance Society for the year ended 31st December 1959, and have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit. In my opinion proper books of account have been kept by the Society so far as appears from my examination of those books.

The foregoing Balance-sheet and Revenue accounts are in agreement with the books of account. In my opinion and to the best of my information, and according to the explanations given to me, the said accounts give the information required by the Companies Act 1948 in the manner required of an insurance company within the meaning of the Insurance Companies Act 1958, and on this basis the Balance-sheet gives a true and fair view of the state of the Society's affairs as at 31st December 1959 and the Revenue accounts give a true and fair view of the income and expenditure for the year ended on that date.

I certify that no part of any fund has been applied, directly or indirectly, for any purpose other than the class of business to which it is applicable.

1st March 1960

JAMES HALDANE, C.A., Auditor

Investment Switch

A great deal of the Society's strength has been gained from its equity investment policy and the greatest protagonist of this policy has been Mr T. J. Carlyle Gifford. Mr Gifford, a noted figure in the investment trust world, is now leaving after serving the Society as a director for nearly forty years, including two periods as chairman. When he joined the board – or Court of Directors, to use the Society's term – the Society's funds amounted to some £22½ million against today's £132 million.

The pendulum swung the other way, however, last year. 'Our new money,' said Mr Alastair C. Blair, the chairman, at the annual meeting in Edinburgh on March 15th, was invested in the main in fixed interest stocks which were giving such handsome yields. The effect of this policy is seen in the increase in holdings of British Government and guaranteed securities from just under £40 million to just over £48 million, in a £2 million increase in debenture holdings to practically £14 million and of the same amount in Preference holdings to £13½ million.

Mr Blair also pointed out that in view of the

£5½ million transfer from reserves, the rate of interest on the funds had been shown on two separate bases: first, assuming that no transfer had been made at all, in which case the gross rate would have been the 'very satisfactory' one of £6 11s per cent compared with £6 4s 10d per cent, and, secondly, assuming the transfer had been made a year ago, when the interest rate would have been £6 5s 2d per cent compared with £6 4s 10d per cent – actually 4d higher, although the funds on which the calculation is based were £5½ million more than they would have been if no transfer had been made at all.

Alliance Trust

An investment trust view in which Mr Carlyle Gifford is also concerned is presented by The Alliance Trust Co which in its January 1960 balance sheet writes up its investment portfolio by £10 million.

Investments, under the heading of fixed assets, are put at £14,995,130 (against £6,887,621) for those quoted on a stock exchange in Great Britain, £11,013,491 (against £6,175,493 for those quoted on stock exchanges of repute outside Great Britain)

THE SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY REVENUE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1959

I. LIFE ASSURANCE BUSINESS

1958			1958		
£102,163,151	Amount of Life Assurance at the beginning of the year	£114,308,611	£1,543,243	Claims under policies paid and outstanding:—	
10,879,377	Premiums	12,495,836	2,055,009	By death	£1,627,084
3,497,905	Consideration for annuities granted	1,958,119	578,858	By maturity	2,148,825
6,603,193	Interest, dividends and rents	£7,703,682	722,180	Surrenders, including surrender of bonus	616,964
1,512,381	Less Income tax (home and foreign)	1,636,239	1,231,968	Returns of accumulated contributions under pension schemes	843,656
5,090,812		6,067,443		Annuities	1,509,182
4,061	Fines and Fees	1,807		Bonuses in reduction of premiums	648
60,000	Transfer from surplus of Capital Redemption Assurance fund	—	399,901	Bonuses taken in cash	31,317
—	Transfer from reserves	5,500,000	787,391	Commission	498,075
			100,000	Expenses of management	851,397
			36,188	Transfer to Staff Pension Fund	£54,000
			63,812	Less Income tax relief	21,562
			114,308,611		32,438
£121,695,306		£140,331,816	£121,695,306	Amount of Life Assurance and Annuity funds at the end of the year, as per balance-sheet	132,172,230
					£140,331,816

II. CAPITAL REDEMPTION ASSURANCE BUSINESS

£918,221	Amount of Capital Redemption Assurance fund at the beginning of the year	£771,202	—	Claims under policies paid and outstanding	£ —
9,689	Premiums	9,689	101,650	Repayments under annuities-certain:—	
46,082	Interest	£37,779	21,265	Capital	£89,590
18,978	Less Income tax	14,538	9,031	Interest	£18,042
27,104		23,241	12,234	Less Income tax	7,187
			113,884		10,855
			8,602	Surrenders	100,445
			1,326	Commission	4,940
			60,000	Expenses of management	1,173
			771,202	Surplus transferred to Life Assurance and Annuity fund	—
£955,014		£804,132	£955,014	Amount of Capital Redemption Assurance fund at the end of the year, as per balance-sheet	697,574
					£804,132

Directors' emoluments amounted to £15,115 (1958, £10,107)

and £27,965 (against £17,503) for the unquoted making a total of £26,036,586 (against £13,080,617). At balance sheet date, the market value of the quoted investments was roughly £53 million against £38 million.

This investment position is supported on the other side of the balance sheet by about £7 million of debt capital, £2.2 million of Preference and £4.2 million of Ordinary; £10 million under capital reserve being the amount transferred from 'Provision for diminution in value of investments'; £1 million under revenue reserve and £162,650 in revenue appropriation account.

Market View

A further interesting aspect of this year's balance sheet, especially to those readers who have been following the course of the stock-markets, is in the 'Sales for subsequent settlement'—nil (against £201,062) under 'Current assets', and in the 'Purchases for subsequent settlement'—£964,980 (against £360,970) under 'Current liabilities'.

In this context the course of the stock-markets may also be seen in the new debenture capital of £3 million, less calls not yet due £2,160,000, making £840,000 net in the main column; and the statement by the chairman, Mr Alan L. Brown, that the board will consider issuing the remaining £2 million stock 'whenever market conditions are thought satisfactory'. Conditions are usually satisfactory for institutional investors when the average investor is wondering why he did not take his profit a few weeks or months previously.

Mr Blair points out that prior to this debenture issue, no new issues for cash of any kind had been made since 1937, and he stresses the long-term aspect of the operation. Although debenture interest constitutes a charge for profits tax, no immediate earnings advantage should be expected. The invested fund working for the ordinary stockholders has been significantly enlarged and, over the years, should increase their reward. In terms of capital, the break-up value of the 5s ordinary units rose in the year from 36s 1½d to 50s 6d.

CITY NOTES

ABUDGET that pleases both the City and the Opposition must be a courageous effort. Conscious of its good name, the City appreciates the Chancellor's anti-tax avoidance moves. Even the increase from 10 per cent to 12½ per cent in profits tax has been acknowledged as a reasonable measure.

The stock-markets had been forecasting virtually a standstill Budget and the forecasts were proved reasonably accurate. The one unexpected development was the outstanding strength of the equity market on Budget day itself, when small buying orders came in in a volume that forced jobbers to mark up prices sharply in a last-minute attempt to keep their books even.

As for the market outlook, the Chancellor has made it clear that he has no intention of letting expansion run away with itself. Neither, obviously, is there any immediate intention of moving towards lower interest rates. The extension of the small savings limits and the issue of a further series of 5 per cent Defence Bonds reinforces the present interest rate line.

The building societies who last year reduced their interest rates may now feel inclined to put them back to their former level. The Budget must re-emphasize the view that the gilt-edged market has little early prospect of recovery and that investment should still be weighted predominantly in favour of growth equities. Higher profits tax may take the edge off the dividend rise but there is no firm reason to foresee any setback in equities. In fact, there is adequate basis for anticipating a steady to firm market.

RATES AND PRICES

Closing Prices, Wednesday, April 6th, 1960

Tax Reserve Certificates: interest rate (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Jan. 29	£4 10s 9.18d%	Mar. 4	£4 10s 9.34d%
Feb. 5	£4 10s 10.88d%	Mar. 11	£4 11s 8.32d%
Feb. 12	£4 10s 11.00d%	Mar. 18	£4 12s 3.52d%
Feb. 19	£4 10s 10.65d%	Mar. 25	£4 12s 5.03d%
Feb. 26	£4 11s 1.07d%	April 1	£4 12s 5.05d%

Money Rates

Day to day	3-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4 13%
Fine Trade Bills		3 months	4½-4 13%
3 months	5½-6%	4 months	4½-4 13%
4 months	5½-6%	6 months	4½-4 13%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 11/16-8	Frankfurt	11.71 1/2-15
Montreal	2.69 1/8-11/16	Milam	1743 1/2
Amsterdam	10.59 1/8-11/16	Oslo	20.01 1/2
Brussels	139.96 1/8-97 1/8	Paris	13.78 1/8
Copenhagen	19.35 1/8-11/16	Zürich	12.18 1/2

Gilt-edged

Consols 2½%	46½	Funding 4% 60-90	90½xd
Consols 4%	70½	Savings 2½% 64-67	81½xd
War Loan 3½%	62½	Savings 3% 55-65	90½
Conversion 3½%	61½	Savings 3% 60-70	79 1/16
Conversion 3½% 1969	84 11/16	Savings 3% 65-75	73½
Exchequer 5½% 1966	100½	Treasury 2½%	45½
Funding 3% 66-68	82½	Treasury 3½% 77-80	76
Funding 3% 59-69	80½xd	Treasury 3½% 79-81	74½
Funding 3½% 99-04	68½	Victory 4%	94½

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries and Fees in the Profession

SIR, - While I am not qualified to comment on the cases of farmers, small traders, etc., I am concerned with a number of private companies, trade associations and public bodies all of whom consult the professional accountant in one capacity or another. Without exception, and even though in several instances the client himself has taken the initiative in raising fees, the fees charged are below any reasonable scale. In no case during the past five years has there been a suggestion by the accountants themselves that the charges should be raised.

I believe it must be general, except possibly in the case of public companies, liquidations and the odd 'plum' which is in every practice, that chartered accountants charge less than the rate for the job, recompensing themselves to some extent by underpaying their staffs, and I am positive that their fears of 'losing the job' or 'antagonizing the client' are almost entirely illusory.

It is possible that one of the roots of the trouble is the usual flat rate all-in charge. For example, in the case of private companies it is usual to charge a single fee for auditing, accountancy, taxation, directors' personal taxation and other miscellaneous services. If these were charged separately, even if on the same bill, there would be a greater realization, by both sides, of the nature of the work done by the accountant.

I think the Institute should take the lead, but in the absence of such lead I would suggest that every practising accountant should review his entire clientele and make up his mind that he is not going to be satisfied with a mere 80 per cent of the accepted scale fees. They would be surprised how little opposition they would receive.

Yours faithfully,
EMPLOYER.

(*Nom de plume* of a member of
The Institute of Chartered Accountants
in England and Wales.)

Water Company Accounts

SIR, - The reprints of accounts in the 'Finance and Commerce' section of *The Accountant* are always interesting and this was particularly so in the case of those of the Luton Water Company in the issue of March 26th

In the whole of the accounts I can see no reference to depreciation and I am wondering how Section 14 (2) of the Eighth Schedule to the Companies Act;

1948, has been complied with, for I see that the auditor's report is a clear one.

The capital assets are all shown at cost and it therefore seems that no depreciation has ever been provided although on a normal commercial basis one would assume a requirement in the region of £25,000 per annum. The transfers in the year 1959 to reserve fund and contingency fund only total £10,084 and these 'funds' together with the revenue account balance amount to only £139,586 of which £46,956 is represented by investments. This total is about 16 per cent of the total capital expenditure incurred by the company which could hardly be said to be adequate on a commercial basis if the funds are intended to provide for renewals.

Another point arises. On a profit before tax of £43,047, only £6,642 has been provided for taxation, due presumably partly to the effects of investment and initial allowances and partly to the annual wear and tear allowances.

I am aware that a large number of water companies are governed by Acts which either specifically prohibit the writing off of depreciation or do not say that depreciation must be provided and the Luton Water Company may be one of these. What interests me is how these Acts can be reconciled with the 'true and fair' requirements of the 1948 Companies Act, the Eighth Schedule to which is now applicable to water companies generally.

All this seems to me to indicate that, while present accounting procedures are so commonly applied in the industry, major revenue renewals will in the future only be financed out of new capital and that with inadequate provisions being made, many water consumers are getting their water at well below true cost.

Yours faithfully,
DENIS F. DODD.

Birmingham.

Accountant's Acrostic

SIR, -
My aptitude for figures
Is nil, I think you'd say!
But I admire the many,
Who specialize this way.
As the experts delve in papers -
It's too involved for me -
So I just stick to rhyme
And 'Acrostics', as you see:

Accounts are
Complex, and
Can
Only be
Unravelling
Neatly by
The
Accountants who are
Naturally
The
Specialists in such matters!

Yours truly,
MILDRED E. WOOLF.

London, W1.

What Good are Computers?

SIR, — In case any of your readers are under the impression that utility of computers depends upon their ability to calculate at high speed, the following story should be highly revealing.

A short time ago a counting contest was held at the Iwakuni Base of the United States Marine Corps in Japan. Five Japanese girls aged between 13 and 18 and equipped with the traditional *soroban* (manual abacus) competed with five United States marines working an electronic computer. The result was an overwhelming victory for the Japanese girls in

multiplication, bill counting and other forms of arithmetical work. It is reported that the base commander immediately started abacus courses.

Has anyone any explanation to offer why these fabulous and simple office machines which are in widespread use from Russia eastwards have never found favour in the western world?

Incidentally, the French call a computer an *ordonnateur*, thus drawing attention to what many of us believe to be its most important function in the business world — sorting and filing.

Yours truly,
London, W1. KENNETH S. MOST.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Ostime v. Duple Motor Bodies Ltd

In the Court of Appeal — March 18th, 1960
(Before THE MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice PEARCE and Lord Justice HARMAN)

Income tax — Trade — Work in progress — Valuation by direct cost method — Valuation by on-cost method — Income Tax Act, 1952, Section 127.

The respondent carried on the business of building motor bodies to order, and few finished bodies were included in the work in progress at the end of an accounting period. In ascertaining the value of work in progress the company used the direct cost method, that is to say, it took as the cost of the work in progress the direct cost of materials and labour only. The alternative method, the on-cost method, is to add to the direct cost a proportion of the overheads. Both methods are recognized as correct accountancy.

It was contended by the respondent that the direct cost method was the correct method to apply, as it contained no element of arbitrary estimation of other factors. It was contended by the appellant that the on-cost method was the correct method as between the company and the Inland Revenue, because it gave the true profit of each accounting period, and because to exclude the overhead expenditure would attribute all that expenditure to the sales effected during the period.

The Special Commissioners found that 'it is very much a matter of policy for the decision of the directors of a company which method should be used'. They then indicated a preference for the on-cost method, and found that a number of items, called 'factory overheads', should be added to the direct costs, and they stated the questions of law for the opinion of the Court on that basis.

Held (affirming the judgment of Mr Justice

Vaisey): the direct cost method, that had been used by the respondent for many years, should not be departed from in relation to the assessments under appeal.

Coughtrie v. Tollemache Settled Estates Trustees

In the Court of Appeal — March 24th, 1960
(Before THE MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice PEARCE and Lord Justice HARMAN)

Income tax — Excess rents — Sand-pit — Rent and royalty — How assessment to be computed — Form of order — Finance Act, 1940, Section 15 — Income Tax Act, 1952, Schedule A, paragraph 2 (Section 82), Section 175.

The respondents let a sand-pit to a partnership for twenty-one years at a rent of £10 a year and a royalty of 6d a ton of sand worked. There was provision for the tenants to work additional land, and they did occupy and work another five acres. For 1953-54 the sand-pit was separately assessed under Schedule A in the sum of £3 5s 0d, and there was an additional assessment for the other five acres, and the two assessments came to about £11. The royalties came to an average of about £390 a year.

For 1953-54 an assessment under Case VI of Schedule D was made on the respondents in the sum of £5 in respect of the excess rents and £1,000 in respect of royalties.

It was contended on behalf of the respondents that Section 175 of the Income Tax Act, 1952, applied only to the fixed rent; and alternatively, that if the section applied also to the royalties, the amount of the royalties should be spread over the years of the lease, and Section 175 applied on that basis. It was contended on behalf of the appellant that the assessment should be made on the actual royalties received in the year of assessment; and that after reducing the amount of the actual royalties to the notional net Schedule A, Section 175 should be applied on that basis.

Held (reversing the judgment of Mr Justice Upjohn): that the decision of the General Commissioners was correct.

For Students

AUDITING Practical Problem

Question

(a) Explain how an inspector may be appointed by the Board of Trade under Section 164 of the Companies Act, 1948;

(b) Describe the powers and duties of the inspector appointed by the Board of Trade; and

(c) Describe any other circumstances in which an inspector may be appointed by the Board.

Answer

(a) Under Section 164 of the Companies Act, 1948, the Board of Trade may appoint inspectors to investigate a company's affairs on the application of:

(i) in the case of a company having a share capital, either, not less than 200 members; or, members holding not less than one-tenth of the shares issued.

(ii) in the case of a company not having a share capital, not less than one-fifth in number of persons in the company's register of members.

Before appointing an inspector the Board of Trade may require,

(i) evidence that there is good reason for requiring an investigation; and

(ii) security to an amount not exceeding £100, for the payment of the cost of the investigation.

One or more inspectors may be appointed and their reports will be made to the Board of Trade.

(b) The powers and duties of the inspector appointed by the Board are:

Powers

(i) To require documents and evidence to be produced by the officers and agents (including bankers, solicitors and auditors) of the company.

(ii) To investigate the affairs of the related companies so far as the inspector considers it necessary for the purposes of the investigation in hand.

(iii) To examine on oath all the past and present officers and agents of the company, or other body corporate in relation to the business. (By application to the Court any other person may be so examined).

Duties. To report to the Board of Trade on the results of the investigation. Interim reports will be submitted if directed by the Board.

(c) Under Section 165 of the Companies Act, 1948, the Board may appoint inspectors to investigate the company's affairs if:

(i) the company by special resolution; or

(ii) the Court by order,

declares that its affairs ought to be investigated.

(Investigations under this section are usually instituted when it is suspected that the company has been mismanaged or that the directors or officers of the company have been utilizing the company's funds for their own purposes.)

Also, inspectors may be appointed if it appears that there are circumstances suggesting:

(i) that the company's business is being conducted with the intent to defraud its creditors or the creditors of any other person or otherwise for a fraudulent or unlawful purpose or in a manner oppressive of any part of its members or that it was formed for any fraudulent or unlawful purpose; or

(ii) that persons concerned with the company's formation or the management of its affairs have in connection therewith been guilty of fraud, misfeasance or other misconduct towards it or towards its members; or

(iii) that the members of the company have not been given all the information with respect to its affairs which they might reasonably expect.

Under Section 172 of the Companies Act, 1948, where it appears to the Board of Trade that there is good reason to do so, inspectors may be appointed to investigate and report on the membership of any company for the purpose of determining the persons who are or have been financially interested in the success or failure of the company or able to control or materially influence the policy of the company.

COMPANY LAW Share Issues

Question

State the provisions of the Companies Act, 1948, as to the issue of:

(a) Shares at a premium

(b) Shares at a discount

(c) Preference shares and the redemption thereof.

Answer

(a) Under Section 56 of the Companies Act, where a company issues shares at a premium, whether for cash or otherwise, the premium *must* be placed to an account called the 'Share premium account'.

The share premium account may be applied as follows:

(i) In paying up unissued shares of the company to be issued as fully-paid bonus shares to the members.

(ii) In writing off preliminary expenses, issue expenses, commissions paid, or discount allowed on shares or debentures of the company.

(iii) In providing any premium payable on the redemption of redeemable preference shares, or debentures. The provision of the Act relating to the reduction of share capital, shall apply also to the share premium account, except as stated above. The amount of the share premium account must be separately disclosed on the balance sheet to comply with the requirements of the eighth schedule of the Act.

Note. - The effect of the phrase 'or otherwise' was considered in *Henry Head & Co Ltd v. Ropner Holdings*

Ltd ([1951] 2 All E.R. 994). A holding company was formed to acquire the issued share capital of two shipping companies, and did this by acquiring the whole of the nominal capital in the shipping companies in exchange for its own shares to the same nominal amount. An assets valuation showed the shares in the shipping companies to be worth considerably more. Held, that this excess was correctly shown in the balance sheet as a share premium, the words 'or otherwise' meaning any consideration other than cash.

(b) The provision of the Companies Act, 1948, as to the issues of shares at a discount, are contained in Section 57, under which shares may be issued at a discount provided:

- (i) A resolution of the shareholders in general meeting has been passed, stating the maximum rate of discount;
- (ii) the sanction of the Court has been obtained;
- (iii) the company, at the date of the issue must have been entitled to commence business for at least one year;
- (iv) shares of the same class have been issued already;
- (v) the shares must be issued within one month of the Court sanction.

It should be noticed also that Section 53 allows the payment of underwriting commission not exceeding 10 per cent in consideration of an agreement to take up shares where authorized by the articles.

Every prospectus relating to the issue of shares must contain particulars of the discount allowed on the issue, or of so much of that discount as has not been written off at the date of the issue of the prospectus.

To comply with the Eighth Schedule, there must be stated in the balance sheet under a separate heading the amount of the discount allowed on any issue of shares in so far as it has not been written off.

(c) Under the provisions of Section 58 of the Companies Act, 1948, a company, with *power in its articles*, may issue preference shares, which are, or are liable to be redeemed at the option of the company.

The conditions of redemption are:

- (i) the shares must be fully paid;
- (ii) any premium on redemption must be provided either out of profits otherwise available for dividend, capital reserves (but not capital redemption reserve fund) or out of the share premium account before the shares are redeemed;
- (iii) the redemption may take place either out of the proceeds of a fresh issue of shares made for the purpose, or out of profits otherwise available for dividend (The redemption may take place by a combination of these methods).
- (iv) If the redemption is made out of profits, a sum equal to the *nominal* value of the shares so redeemed must be transferred to a reserve fund to be called the 'Capital redemption reserve fund.'
- (v) The capital redemption reserve fund may be used in issuing fully paid bonus shares to the members. Any other use is a reduction of issued capital.

The redemption of Preference shares does not reduce the authorized share capital of the company. In accordance with the Eighth Schedule, the balance sheet must show the amount of Redeemable Preference shares issued and the earliest date for redemption.

COSTING

Practical Problem

Question

From the following information, prepare the monthly cost sheet for July, disclosing the divisions of cost and the profit per 1,000 bricks:

Materials: Lime	1,000 tons at £2 15s 0d per ton
Coal	800 tons at £3 per ton
Sand	2s 6d per 1,000 bricks made
Stores	£900
Labour: Digging sand	£1,100
Brickmaking	£2,200
Works oncost	25 per cent of direct charges
Office oncost	12½ per cent of direct charges
Bricks sold	4,000,000 at £3 10s per 1,000
Stock of bricks:	
Beginning of month	200,000 (valued at £3 per 1,000 bricks)
End of month	600,000 (valued at cost of production for July)

Answer

COST SHEET

MONTH ENDED JULY 19... Output 4,400,000 bricks

	Amount	Cost per 1,000 bricks
	£	£ s d
Materials consumed:		
Lime (1,000 tons at £2 15s 0d)	2,750	
Coal (800 tons at £3)	2,400	
Sand (4,400 × 2s 6d)	550	
Stores	900	
	6,600	1 10 0
Wages:		
Brickmaking	2,200	10 0
	8,800	2 0 0
PRIME COST		
Wages:		
Digging sand	1,100	5 0
Works oncost (25 per cent of £8,800)	2,200	10 0
	12,100	2 15 0
Office oncost (12½ per cent of £8,800)	1,100	5 0
COST OF PRODUCTION	13,200	3 0 0
Stocks:		
Opening (200,000 bricks at £3 per 1,000)	600	
	13,800	
Closing (600,000 bricks at £3 per 1,000)	1,800	
COST OF BRICKS SOLD (4,000,000)	12,000	
Profit	2,000	10 0
SALES (4,000,000 at £3 10s 0d per 1,000)	£14,000	£3 10 0

Date prepared..... Submitted to.....

Prepared by.....

CERTIFIED ACCOUNTANTS' WEEK-END SCHOOL

An Application of Electronic Data Processing

A successful residential school on the theme 'An application of electronic data processing' was held at The Queen's College, Oxford, last week-end, by The Association of Certified and Corporate Accountants. Nearly one hundred members attended and the President of the Association, Mr W. Jackson, F.A.C.C.A., presided.

Mr P. A. Bundy, F.A.C.C.A., chairman of the Association's electronic data processing subcommittee, gave a preliminary address on the theme of the school and papers were presented as follows:

'Planning and implementation', by Mr J. W. Kerr, A.A.C.C.A., and Mr H. A. Y. Dyer, A.A.C.C.A.

'Financial control and auditing procedures', by Mr R. B. Plank, A.A.C.C.A., and Mr M. G. Wright, B.COM., A.A.C.C.A.

'Problems in human relationships', by Mr L. T. W. Sawyer, A.A.C.C.A., and Mr A. S. Doig, A.A.C.C.A.

Following each paper there were group discussions and at later sessions the authors of the papers, assisted by a panel comprising Messrs T. C. Hickman, A.A.C.C.A., L. A. Hill, A.A.C.C.A., H. Shearing, A.A.C.C.A., and G. Sherlock, F.A.C.C.A., answered questions submitted by group leaders.

Planning and Implementation

The paper on Saturday morning was presented by Mr Kerr and Mr Dyer. Starting with the assumptions that an order had been placed for a computer and that there would be a delivery period of two years, the authors dealt with the planning tasks to be performed before the arrival of the equipment. These fell into three categories:

- (1) planning the organization;
- (2) planning the installation of the equipment;
- (3) planning the applications of the equipment.

It was essential that the computer department be given sufficient staff of the right quality, the most important appointment being that of the computer manager. He should understand accounts and obviously know something about computers, as well as being well informed about the firm's business and management policy; but most important he must be a proven leader. The main functions of the department would be O. & M., programming, and computer operation, for each of which a section leader would be required. The chief programmer might have to be recruited outside the organization.

In planning the installation of the computer, such features as its floor space requirement (allowing for good accessibility), its weight in relation to permitted floor loadings, air conditioning, and dust extraction must be considered.

It was of great importance that sufficient time be allowed to plan the applications of the computer, involving the preparation of operational procedure charts and flow charts and leading up to the task of programming which alone could well take six months to complete.

Financial Control and Auditing Procedures

On Saturday afternoon, Mr Plank and Mr Wright dealt with the problem of ensuring control over the

results of computer operations, both by the finance staff of the organization concerned and by the external auditors.

So long as a computer was carrying out self-contained clerical operations (such as payroll preparation), printed records would often be available at each stage of calculation and processing and these records could be checked in total with control data recorded directly from the input documents. When, however, the computer was processing two or more routines consecutively, and might be required to choose alternative processes in accordance with the programme of instructions, then much intermediate data was not available (or was available only in the form of punched or magnetic records), and the final output might not be susceptible to direct check against the original input.

When a large volume of work had previously been divided between a number of clerks, it was likely that there would have been minor variations in the operation of the accounting system. The introduction of a computer could ensure the uniform application of standard procedures, and the accountant would want to satisfy himself that the best available practices were built into the various programmes and were applied.

The processing of test data would help to ensure that programmes were correctly written and that the equipment was interpreting them accurately. Other checks on accurate data processing were classified by the authors as follows:

- (1) *Financial control totals* similar to ledger control accounts in a self-balancing manual system. Computer quantities and balances could be reported at suitable intervals in the processing, and be agreed visually by the control section.
- (2) *Check of new transactions.* Visual check of documents before preparation of computer input media.
- (3) *Double check on transcription* from original documents to input media.
- (4) *Computer checks on input.*
 - (a) Agreement of total read into computer with check total from earlier stage of processing.
 - (b) Parity checks where input is in binary form.
 - (c) Comparison of data read into computer with maximum permitted values stored in the machine. (Limit check.)
 - (d) Use of control symbols at end of data groups on tape input.
 - (e) Code numbers could be made 'self-checking' by use of redundancy check digits.
- (5) *Checks on processing within the computer.*
 - (a) Checks built in by manufacturers:
 - (i) Verifying calculations by carrying them out twice.
 - (ii) Use of parity checks where data is transferred from one register to another.
 - (b) Programmed checks:
 - (i) Internal re-check of totals at key stages of processing. Such totals might be 'hash totals' of all the data held in particular sections of the store.
 - (ii) Feasibility or limit checks, similar to those used for input.

(6) *Computer checks on output*, mainly parity and limit checks.

With regard to external audit, emphasis was placed on the desirability of the auditor working closely with the client's study group once the decision has been reached to install a computer. In this way he could satisfy himself that adequate checks on processing were being planned, and that provision was being made for printing out such data as would be necessary for audit purposes.

Such collaboration would help the auditor re-plan his audit programme in good time; and would give the client the benefit of skilled advice on the avoidance of error and fraud. The authors considered also that the presence of the auditor could help give a better balance between the accounting and engineering functions in the study group.

Problems in Human Relationships

In the final paper, given on Sunday morning, Mr Sawyer and Mr Doig surveyed the problems in human relationship that might follow the decision to install a

computer. It was an accepted fact that human beings dislike change of any kind, and are most likely to be content in a well ordered and stable environment.

The installation of a computer was not just another step in office mechanization, but was the employment of an immensely powerful tool that would change our offices as we know them and, all important, the outlook and lives of the people who work in them.

Such a major change was bound to create mental indigestion and to raise in an acute form the following problems:

- (a) fear of large-scale redundancy;
- (b) fear of the unknown, due to lack of technical appreciation of the nature of this innovation;
- (c) fear of inability to change, inherent in many people;
- (d) fear of losing grasp of work which hitherto has given security and a feeling of fulfilment;
- (e) interpretation of the change as personal criticism of the way in which current duties are performed;
- (f) the sense of a loss of responsibility.

Some of these feelings would affect not only those



From left to right, seated: Mr J. W. KERR, A.A.C.C.A., joint author of *Paper I*; Mr R. B. PLANK, A.A.C.C.A., joint author of *Paper II*; Mr L. T. W. SAWYER, A.A.C.C.A., joint author of *Paper III*; Mr J. E. HARRIS, E.COM., F.A.C.C.A., Vice-President of the Association and Chairman, Session III; Mr W. JACKSON, F.A.C.C.A., President of the Association; Mr M. G. WRIGHT, B.COM., A.A.C.C.A., joint author of *Paper II*; Mr H. A. Y. DYER, A.A.C.C.A., joint author of *Paper I*; Mr A. S. DOIG, A.A.C.C.A., joint author of *Paper III*. **Second row:** Mr J. R. SPAREY, M.A., an Assistant Secretary of the Association; Mr J. N. HILLMAN, A.A.C.C.A., leader of Group C; Mr L. WRIGHT, A.A.C.C.A., leader of Group H; Mr T. C. HICKMAN, A.A.C.C.A., member of the panel; Mr R. F. LAWRENCE, A.A.C.C.A., leader of Group E; Mr J. W. SUNLEY, A.A.C.C.A., leader of Group G; Mr J. GILLOW, A.A.C.C.A., leader of Group A; Mr V. J. OXLEY, B.SC.(ECON.), F.A.C.C.A., Chairman of the Technical Research Committee and Chairman, Session II. **Third row:** Mr L. A. LYNCH, A.A.C.C.A., leader of Group F; Mr V. A. JONES, F.A.C.C.A., leader of Group D; Mr G. SHERLOCK, F.A.C.C.A., leader of the panel; Mr J. H. HILLS, F.A.C.C.A., Chairman of the Taxation and Research Committee and Chairman, Session I; Mr H. Shearing, A.A.C.C.A., member of the panel; Mr A. R. W. HILL, A.A.C.C.A., leader of Group B; Mr P. A. BUNDY, F.A.C.C.A., Chairman of the Electronic Data Processing Subcommittee and member of the panel. **Back row:** Mr C. R. M. DAVIDSON, F.A.C.C.A., an Assistant Secretary of the Association; Mr L. A. HILL, A.A.C.C.A., member of the panel; Mr R. T. BELL, an Assistant Secretary of the Association; Mr F. C. OSBOURN, M.B.E., B.A., LL.B., Secretary of the Association.

doing routine work but also supervision and management at all levels; and would be particularly severe during the period when current methods and administration had to be continued while the computer began to absorb particular functions, and during the subsequent 'running down' period.

The authors recognized that ready-made answers to problems in human relationship are not available, but considered the most important aid to the preservation of good staff relationships was to provide full information about the proposed change throughout the period of planning and implementation. As soon as the decision had been made to proceed with the first preliminary investigation, management should be in a position to state to all concerned its overall objectives

and policies, with specific reference to those regarding future deployment of staff.

Guest Night Dinner

On Saturday evening a guest night dinner was held in Hall at which the President took the chair, and the guests included Councillor F. M. Brewer, M.B.E., Mayor of Oxford, and Mrs F. M. Brewer; Mr H. C. Bedwell, A.A.C.C.A., County Treasurer, Oxfordshire; Mr F. M. Walker, City Treasurer, Oxford, and Councillor E. R. Gibbs, F.A.C.C.A., and Councillor Mrs O. S. Gibbs.

A toast to 'The City of Oxford' was proposed by the President and the Mayor replied. The President welcomed the guests.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS A. DANNING & Co, Chartered Accountants, of Brunswick Chambers, Brunswick Street, Newcastle, Staffs, announce that as from April 1st, 1960, they have admitted into partnership Mr PETER W. R. NADIN, B.COM., A.C.A.

MESSRS DEAN & SON, Chartered Accountants, of 4 Market Square, Stafford, announce that as from April 1st, 1960, they have admitted into partnership Mr PETER W. R. NADIN, B.COM., A.C.A., who has been a member of their staff for a number of years.

MESSRS TOWNSEND, WATSON & STONE, Chartered Accountants, of 4 The Broadway, Crouch End, London, N8, and 11 Lincoln's Inn Fields, London, WC2, announce that Mr THOMAS BENNETT, C.A., and Mr WALTER SIDNEY HOFMAN, F.C.A., were admitted into partnership on April 1st, 1960. The firm name remains unchanged.

MESSRS CARTER, GREIG & Co, Chartered Accountants, of 44 Chandos Place, WC2, and at Edinburgh, announce that Mr JOHN WALDRON, F.C.A., has retired from practice and they have taken into partnership Mr ANTHONY P. RICKARDS, A.C.A. The name of the firm remains unchanged.

MESSRS W. E. & H. R. STACEY, Chartered Accountants, of 10-12 James Street, Liverpool, 2, London and Crickieth, announce that Mr J. D. COOK, A.C.A., who has held a senior position on their staff for some years, has been admitted to partnership as from April 1st, 1960. He will be in attendance at their London office. The title of the firm remains unchanged.

MESSRS TEMPLE, GOTHARD & Co, Chartered Accountants, of 7 and 8 Norfolk Street, London, WC2, announce that Mr BRIAN O. CHILVER, A.C.A., has been admitted to the partnership as from April 1st, 1960. The name of the firm remains unchanged.

MESSRS MORRIS, GREGORY & Co, Chartered Accountants, 3 York Street, Manchester 2, announce that Mr JAMES HALL NOBLE, F.C.A., has retired from the partnership. The firm continues under the remaining partners and the style remains unchanged.

MESSRS LANDAU, MORLEY & SCOTT, of 2 Bentinck Street, London, W1, announce that Mr MARTIN RICHARD LANDAU, A.C.A., son of the senior partner, has

been admitted into partnership at this and their other addresses with effect from April 6th, 1960.

MESSRS T. O. WILLIAMS & DAVIES, Chartered Accountants, of Prudential Buildings, 5 St Philip's Place, Birmingham 3, announce that they have taken into partnership as from April 1st, 1960, Mr HERBERT WILLIAM TUCKEY, A.C.A., who has been a senior member of the staff for a number of years.

MESSRS CRANE, CHRISTMAS & Co, Chartered Accountants, of 70 Old Broad Street, London, EC2, announce that Mr F. H. COOPER CHRISTMAS, F.C.A., who founded the firm with the late Mr R. CRANE in 1903, retired from the partnership on April 5th, 1960. The practice will be carried on by the remaining partners under the same name and Mr CHRISTMAS will be available to the firm in a consultative capacity.

MESSRS BROADS, PATERSON & Co, Chartered Accountants, of Garrard House, 31-45 Gresham Street, London, EC2, announce the retirement as from April 30th, 1960, of Mr C. W. TYRRELL, F.C.A., who was articulated with the firm in 1928 and was admitted as a partner in 1938. Mr TYRRELL, who has been a director of the Booker Group of companies for some years, is taking up full-time duties with the Group, with special group accounting responsibilities and as chairman of BOOKERS ENGINEERING HOLDINGS LTD.

MESSRS ARTHUR YOUNG & Co, of Garrard House, 31-45 Gresham Street, London, EC2, announce the retirement as from April 30th, 1960, of Mr C. W. TYRRELL, F.C.A., who has been with the London office since 1928 and was admitted as a London partner in 1938. As announced above, Mr TYRRELL is taking up full-time duties as a director of the Booker Group.

MESSRS T. E. ROWELL & Co, Chartered Accountants, of 1 Northumberland Place, North Shields, announce that Mr BERTRAM RAMSAY LUNN, A.C.A., was admitted into partnership as from April 1st, 1960.

MESSRS MOORE & SMALLEY, Chartered Accountants, of 9 Chapel Street, Preston, announce that, owing to ill health, Mr JOHN DONALDSON, F.C.A., retired from the firm as from March 31st. Mr DONALDSON has been associated with the firm for forty-five years. The practice will continue to be carried on by the remaining partners under the same name.

MESSRS HULL & LIVSEY, Chartered Accountants, of 22 Booth Street, Manchester, 2, announce that as from April 1st, 1960, Mr B. A. WILSON, A.C.A., has been admitted to the partnership.

MESSRS H. O. BENNETT & Co, Chartered Accountants of 5 Opie Street, Norwich, Norfolk, announce that Mr ALAN DOUGLAS LAING THOMAS, A.C.A., has been admitted as a partner of the firm as from April 1st, 1960. The name of the firm remains unchanged.

MESSRS VICTOR WALTON & Co, Chartered Accountants, of City Chambers, Infirmary Street, Leeds, announce that on April 1st, 1960, they admitted into partnership Mr FRED L. FLEETWOOD, F.C.A., who has been a member of their staff for many years.

MESSRS THOMAS BRITAIN & Co, Chartered Accountants, of 4 Waterloo Street, Birmingham, 2, announce that as from April 1st, 1960, they have taken into partnership Mr DAVID J. HEACOCK, B.A., A.C.A., who has been a senior member of their staff for some years and is the son of the senior partner. The name of the firm continues unchanged.

MESSRS JENNINGS & Co, Chartered Accountants, of Adam House, 1 Fitzroy Square, London, W1, announce that their senior partner, Mr FREDERICK H. TAYLOR, F.C.A., retired from the firm on March 31st, 1960, but will continue to be available in a consultative capacity. Mr MICHAEL MANSBRIDGE, F.C.A., who has been associated with the firm at their Walthamstow office for some years has been admitted to the partnership as from April 1st, 1960.

MESSRS PHILLIPS & TRUMP, Chartered Accountants, of 27 Park Place, Cardiff, announce that as from April 1st, 1960, they have admitted into partnership Mr NEVILLE W. SIMS, A.C.A., who has been a member of their staff for some years. The name of the firm remains unchanged.

MESSRS GREENSLADE & Co, Chartered Accountants, of 297/302 Dashwood House, Old Broad Street, London, EC2, and Northampton, announce that Mr ROBERT GEOFFREY CHANDLER, D.F.C., A.C.A., who has been in charge of their Northampton office for some years, has become a partner in the firm.

MESSRS ATTLEE, EDGE & LAMBERT, Chartered Accountants, of 163 Hamstead Road, Handsworth, Birmingham, 20, announce that as from March 1st, 1960, they have taken into partnership Mr ROBERT W. WATKINS, A.C.A., who has been associated with the firm for a number of years. The practice will continue at the above address and under the same name.

MESSRS JONES, CREWDSON & YOUATT, Chartered Accountants, of 7 Norfolk Street, Manchester, 2, announce with deep regret the death of Mr FREDERICK W. DALZIEL, C.A., on March 29th, 1960, after a short illness.

MESSRS BAKER, TODMAN & Co, Chartered Accountants, of Canada House, Norfolk Street, London, WC2, announce that Mr P. HALE, A.C.A., was taken into partnership on April 1st, 1960. The name of the firm remains unchanged.

MESSRS HUBBART, DUROSE & PAIN, Chartered Accountants, of 18 Park Row, Nottingham, announce that Mr JOHN LEVETT HOBDEN, A.C.A., and Mr JOHN JEFCOATE ROSS SERGEANT, A.C.A., have been admitted as partners of the firm as from April 6th, 1960. The name of the firm remains unaltered.

MESSRS L. LAVY & Co, Chartered Accountants of Imperial House, Dominion Street, London, EC2, have pleasure in announcing that as from April 1st, 1960, they have combined their practice with that of MESSRS ERIC H. ASCHER & Co, Chartered Accountants, of 4 Broad Street Place, EC2. The combined practice will be carried on under the name of LAVY, ASCHER & Co, at Imperial House, Dominion Street, EC2, the partners being Mr L. LAVY, F.C.A., Mr E. H. ASCHER, F.C.A., and Mr S. A. MANN, F.C.A.

MESSRS RONALD A. GOODMAN & Co, Chartered Accountants, of St Andrews House, Holborn Circus, London, EC1, announce that as from Monday, April 11th, 1960, their London address will be, 26-28 Bedford Row, London, WC1. Telephone: Holborn 2918-9.

MESSRS H. A. MERCHANT & Co, Chartered Accountants, of 48-50 Uxbridge Road, Ealing, London, W5, announce that Mr G. J. SPENCER, A.C.A., who has been a senior member of the firm's staff for some years, was admitted into partnership as from April 1st, 1960.

Appointments

Mr P. N. M. Lowe, F.C.A., has been appointed to the board of W. W. Chamberlain (Associated Companies) Ltd.

Mr T. O. Tatlow, A.C.A., secretary of John Bolding & Sons Ltd, has been appointed a director of the company.

Mr Alexander Wallace, C.A., has been appointed a director of Furness, Withy & Co Ltd; he will continue to act as secretary to the company but is relinquishing his position as chief accountant.

DOUBLE TAXATION: OVERSEAS DIVIDENDS

New Working Sheets

The Board of Inland Revenue has provided two new forms of working sheet (designated 86C and 86D) for the calculation of tax credit relief and/or unilateral relief on overseas dividends. The new forms have been designed to be employed as follows:

Form 86C, on white paper, is for use where no refund of overseas tax is due from the overseas country and the overseas rate quoted includes direct tax.

Form 86D, on azure paper, is for use where a refund of overseas tax is due from the overseas country or where the overseas rate quoted excludes direct tax.

The forms, each size 13 in. by 8 in., are in duplicate so that carbon copies may be taken, and will be supplied by tax offices on request.

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REVALUATION OF ASSETS

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**COMPANIES LIQUIDATION ACCOUNT
(INTEREST) ORDER, 1960**

The Treasury has made an Order¹ under subsection (4) of Section 362 of the Companies Act, 1948, revising the rate of interest which falls to be prescribed by the Treasury under this section.

Section 362 (4) of the Companies Act, 1948, provides that, when the balance at the credit of any company's account in the hands of the Board of Trade exceeds £2,000 and the liquidator gives notice to the Board that the excess is not required for the purposes of the liquidation, the company shall be entitled to interest on the excess at the rate of 2 per cent per annum or such other rate as may for the time being be prescribed by order of the Treasury.

The Order which came into operation on April 1st, 1960, prescribes a rate of 3½ per cent per annum in place of 2½ per cent per annum prescribed by the Companies Liquidation Account (Interest) Order, 1959.

**NATIONAL SAVINGS CERTIFICATES
Extension of Ninth Issue**

The Treasury has announced that National Savings Certificates of the Ninth Issue, which were on sale from February 1st, 1951, to July 31st, 1956, and can at present be held until ten years from the date of purchase, may be retained for a further period of seven years.

Certificates of this issue, which are worth 20s 3d at the end of ten years, will thereafter increase in value at the rate of 3d for each completed period of four months (9d a year) with an additional bonus of 6d at the end of the seventh year.

No notice need be given by holders of the Ninth Issue of Certificates who wish to continue their holdings beyond ten years as they will increase in value automatically.

**UNITED KINGDOM AND IRISH REPUBLIC:
SOCIAL SECURITY AGREEMENT**

A reciprocal agreement on social security between the United Kingdom and the Irish Republic, which supersedes the one made in 1953, will come into force on May 2nd.

An insured person will be able to claim sickness benefit in the country where he is at the time of his claim, even if all his insurance is in the other country. The agreement provides also that a worker should remain fully insured in his own country, when he is sent by an employer to work temporarily in the other country. Neither he nor his employer will pay any contributions in the latter country. The new agreement does not change the position of people claiming unemployment benefit by virtue of the arrangements between the two countries.

¹ S.I. 1960/596. H.M.S.O. 2d net.

**STATE GRADUATED PENSION SCHEME
Contracting-out Time**

Employers who wish to contract out of the new graduated retirement pension scheme, but who do not apply in sufficient time for the appropriate certificate will have to pay the graduated contributions from April 1961 for all employed people earning more than £9 a week when collection of these contributions starts, and until such date as a certificate is issued.

In a written Parliamentary answer about the progress of arrangements for contracting out under the National Insurance Act, 1959, the Minister of Pensions and National Insurance said that applications to the Registrar of non-participating employments for a certificate may be made at any time, whether before or after April 1961. But employers who wish to have certificates in force by then should allow sufficient time in making their application for the Registrar to deal with them.

In cases where a certificate, even though applied for, had not been issued, graduated contributions would be payable from April 1961 until such date as the certificate was issued and took effect. The Minister said that the Registrar was available to employers for informal consultations about the requirements for contracting out.

**INDUSTRIAL ESTATES MANAGEMENT
CORPORATIONS**

Five members of the profession are among those who have been appointed by the Board of Trade to serve on the Industrial Estates Management Corporations for England, Scotland and Wales. The corporations have been set up under the Local Employment Act which came into operation on April 1st.

The English corporation is under the chairmanship of Mr S. A. Sadler Forster, C.B.E., D.C.L., J.P., F.C.A., who has been a director and chairman of North Eastern Trading Estates since 1948 and is also associated with various other industrial development organizations.

Sir Richard Yeabsley, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, and a partner in the firm of Hill, Vellacott & Co, Chartered Accountants, of London, is one of the members of the English corporation.

Sir Robert A. Maclean, C.A., who, since 1955, has been chairman of Scottish Industrial Estates Ltd, has been appointed chairman of the Scottish corporation, and Mr W. I. French, D.S.O., O.B.E.(MIL.), T.D., C.A., a partner in the firm of French & Cowan, Chartered Accountants, of Glasgow, is a member.

Mr F. E. Price, F.S.A.A., A.I.M.T.A., who has been a director of Wales & Monmouthshire Industrial Estates Ltd since 1954 and who is a partner in the firm of Arthur Collins & Co, Chartered Accountants, of Newport, Monmouthshire, is a member of the Welsh corporation.

MOTOR — FIRE — CONSEQUENTIAL LOSS

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BEQUEST TO SCOTTISH INSTITUTE

In the will of the late Mr Morris S. Spence, M.B.E., C.A., F.P.A.N.Z., former partner in the firm of McCulloch Butler & Spence, Chartered Accountants, of Wellington, New Zealand, and a Past President of the New Zealand Society of Accountants, £500 was left to The Scottish Chartered Accountants' Benevolent Association. Other bequests include £1,000 each to St Giles Cathedral, Edinburgh, and the Scottish branch of the Queen's Institute of District Nursing. A fourth share of the residue, expected to amount to £6,250, will go to Edinburgh University.

Educated at Melville College, Edinburgh, Mr Spence was admitted a member of The Society of Accountants in Edinburgh in 1911. He went to New Zealand some years later and became an Associate of The New Zealand Society of Accountants in 1918 and a Fellow in 1921. Mr Spence was elected President of The New Zealand Society in 1938 and was a member of the Government committee appointed in 1941 to examine the accounts of freezing companies and meat exporters in New Zealand.

UNION OF CHARTERED ACCOUNTANT STUDENTS' SOCIETIES

For the eleventh year in succession the Council of The Institute of Chartered Accountants in England and Wales invited the Liaison Committee of the Union of Chartered Accountant Students' Societies to a general discussion with the President of the Institute and the chairmen of Council committees dealing with matters affecting articled clerks.

In response to the invitation a meeting was held in London on March 17th, with the President in the chair supported by the chairmen of the General Purposes, District Societies, Articled Clerks and Examination Committees of the Council. Students were represented by eight delegates appointed by the students societies' conference last December, and the Chairman and Secretary of the Union. Officials of the Institute concerned with articled clerks were also present.

As usual at these meetings, discussion was free, frank and general. The personal views of those round the table were given in an understanding atmosphere and information was exchanged. The subjects discussed included the current problems that cause difficulty to articled clerks and to students' societies.

By way of conclusion, the President stated that the matters raised by the representatives of the students' societies would be reported for consideration by the appropriate committees of the Council and that in due course the Council would issue a considered statement for circulation by the Union to students' societies.

The value of these meetings in developing constructive suggestions was again obvious and also the function of the annual conference of the Union of

Students' Societies as a means of raising and formulating opinion on subjects of importance to articled clerks and their training.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Students are reminded that the library and study room at Spencer House, South Place, EC2, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The study room is available for evening study by prior arrangement.

Next Week's Meetings

The following meetings will be during next week.

Monday: 'Practical aspect' lectures for Intermediate candidates at the Institute: 'Costing', by Mr J. B. Charles, F.C.A., C.A.(S.A.), F.C.W.A., A.I.I.A.; 'The work of executors and trustees', by Mr M. W. Lockyer, F.I.B.; 'The accountant's place in an industrial organization', by Mr E. H. Davison, F.C.A.; 'Assurance and insurance', by Mr S. R. Fenwick, F.C.I.I.

Tuesday: 'The practical view of auditing', by Mr J. F. Shearer, O.B.E., F.C.A.; 'Banking practice', by Mr G. F. Wheldon; 'Stock Exchange practice', by Mr D. Cobbett.

Demonstration of Burroughs accounting machines (limited number).

Wednesday: Visit to the Royal Mint (limited number).

'Practical aspect' lectures for Final candidates at the Institute: 'The consolidation of accounts in practice', by Mr E. D. McMillan, F.C.A.; 'The finance of foreign trade', by Mr P. J. Shaw; 'Economic effects of taxation', by Mr A. R. Ilesic, M.Sc.(ECON.), B.COM.; 'Receiverships and bankruptcy practice (including deeds of arrangement)', by Mr Leslie Cork.

Thursday: 'Building societies - their functions and financial structure', by Sir Bruce Wycherley, M.C., F.C.I.S.; 'Accounting for management', by Mr Christopher I. Bostock, M.A., F.C.A.; 'The chartered accountant and accounting mechanization', by Kenneth G. Bishop, A.C.A.

Summer Holiday in Italy

Mr D. R. Waters, a member of the Students' Society, is organizing a summer holiday next July in the Island of Grado for a limited number of students and their friends.

The cost of the holiday will be £35 10s 0d, including second class return fare, with twelve nights and full board at the hotel; couchettes and meal vouchers on the train will be optional extras.

The Island of Grado, situated in the Gulf of Trieste, has an excellent sandy beach, safe bathing and a good sailing harbour; water ski-ing, under-water swimming and tennis can also be enjoyed. The party will depart from Victoria Station, London, on Sunday, July 3rd, and return there on Sunday, July 17th.

Members interested in joining the party should advise Mr Waters at 85 Grove End Gardens, St John's Wood, NW8.

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THE ACCOUNTANT

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'Heads we win, Tails you lose'

REFLECTION on the anti-avoidance proposals in the Budget has done nothing to allay the uneasiness to which they at once gave rise. Since the beginning of the last war the statute book has received almost annual additions in the form of long and complicated sections and schedules in the Finance Acts, many of which call to mind the strictures of Lord Simonds, directed against Section 46 of the Finance Act, 1940, whose provisions, he said were:

'of unrivalled complexity and difficulty, and couched in language so tortuous and obscure that I am tempted to reject them as meaningless'.¹

The CHANCELLOR's decision to replace specific anti-avoidance provisions by general provisions conferring a discretion on the Inland Revenue is a confession of the draftsman's failure, not only to achieve simplicity, but even to achieve effectiveness.

Legitimate avoidance on any large scale is practised by the few, by people with large resources who are able to command the best advice and to whom the most elaborate schemes can be worth while simply because their tax bill is so enormous. Whenever a gap revealed by their operations is closed up, it is done so by legislation of much wider scope which has the effect of hitting far more innocent people than guilty ones, who do not even hear of the legislation until they are caught by it. Meanwhile, the informed and wealthy minority against whom the legislation was aimed have already moved on to more sophisticated and still immune forms of avoidance. However, it need not be thought that the new discretionary provisions are likely to distinguish between the sophisticated avoider and the ordinary taxpayer who, where he has the choice, naturally carries out his transactions in that form which attracts the least amount of tax.

The kind of anti-avoidance legislation which is now proposed is not without its history. The wartime 100 per cent excess profits tax was accompanied by similar legislation. Section 33 (3) of the Finance Act, 1944, gave the Inland Revenue power to levy that tax on the footing that certain transactions, where the main benefit from them might be expected to be the reduction or avoidance of the tax, should be ignored. In other words, motive could be disregarded. The effect of this highly penal section is shown by such cases as *Majestic (Derby) Ltd v. C.I.R.* (29 A.T.C. 297) where there was a plain finding that the avoidance of tax was neither the main purpose nor one of the main purposes of the transaction under attack. On the other hand, where there was a finding that the main benefit was not the avoidance of excess profits

¹ *St Aubyn Estates Ltd v. Attorney-General* (30 A.T.C. 193, 201).

tax, but there was an avoidance motive, a direction was also upheld; in other words, it was a situation where the Inland Revenue could say 'heads we win; tails you lose'. In yet another case the Inland Revenue made a direction which resulted in the taxpayer actually paying more tax than if it had never entered into the transaction.

Such a section in the Finance Acts, however much it may be justified in wartime, is a somewhat doubtful piece of legislation in peacetime. And yet it was re-enacted as Section 32 of the Finance Act, 1951, in relation to profits tax. It is true that Section 32 (6) enables a company to submit a proposed transaction to the Inland Revenue with a view to obtaining a partial clearance from direction but to take advantage of it is like putting one's head into the lion's mouth.

Although Section 32 is nearly nine years old, there have been no reported cases on it in the High Court. This by no means implies that the Inland Revenue has not invoked it; it has been invoked many times, sometimes on very flimsy grounds. Perhaps the chief criticism of a discretionary power of this kind is that it is not applied evenly throughout the country. Although in theory each profits tax assessment is made by the Commissioners of Inland Revenue, the individual cases are dealt with by local inspectors, some more zealous than others. There is not necessarily uniformity of practice even in the same income tax office. Again, some taxpayers are better advised than others; in the country as a whole there is a wide range between cases where the taxpayer is adequately advised and stands on his rights against a not very zealous inspector, and cases where ill-advised or ignorant taxpayers are face to face with excessive official zeal. We wonder whether the cure may not be worse than the disease.

It is noteworthy that when the CHANCELLOR was seeking to justify the Budget changes, he had to change his ground from time to time. The anti-avoidance provisions are supposed to obey some abstract principles of justice. The increased tobacco tax, however, seems to rest on the principle that those who are already heavily taxed shall be taxed still more. In the domain of alcoholic beverages it seems that certain exporters of port in Portugal are in difficulties, and on this ground alone the CHANCELLOR makes a gift of some £4

million a year to English drinkers—not merely drinkers of port, but drinkers of sherry, vermouth, champagne, and other château-bottled wines, having nothing whatever to do with Portugal.

Whatever else may be said of indirect taxes on drinks and tobacco, they are confined to those people who can afford, and who choose, to pay them. Income tax and surtax fall indiscriminately on the man whose income is heavily charged with mortgage repayments and school fees, and the man who has none of those expenses. Indeed, the thrifty man who buys his own house, instead of leaning on Government subsidies, is the object of a special tax which can be described as a tax on 'income' only by a legal fiction.

The new legislation restricting the relief for trading losses will not apparently restrict the income tax definition of trade. It used to be one of the trump cards of a taxpayer, when an over-zealous inspector was trying to assess a purely capital profit, to ask: 'Had there been a loss, would you have been prepared to allow relief for it as a trading loss?' It seems that even this defence is to be taken away as the word 'trade' will have two different meanings, depending on whether the Inland Revenue wishes to assess a surplus or refuse relief for a loss.

This desire to have the best of both worlds explains official reluctance to tax the successful amateur stock exchange speculator. Large numbers of people buy shares cheap and sell them dear, supplementing their income in that way, but they seem to be immune from the assessments to tax which would automatically be raised if they bought and sold say whisky in bond or similar commodities. This is no doubt because amateur speculators as a whole must make a loss in order to remunerate jobbers and brokers, not to mention the 2 per cent stamp duty.

A sign of the times is to be found in the recent judgment of Sachs, J., in *Schlesinger v. Schlesinger* where he observes:

'taxation has risen to heights which the learned registrar rightly described as fantastic; the purchasing power of money has decreased enormously; and there has arrived an era in which it is well known that there are rich men who live on capital, very often on capital profits, much more than they do on income'.¹

¹ [1960] 1 All E.R. 721, 725.

Costing for the Retail Trades

by KENNETH S. MOST, LL.B., F.C.A.

ONLY by using cost accounting principles as they have been developed for manufacturing industry can retail traders produce departmental operating statements which can serve as a basis for policy decisions. The difficulties which stand in the way of doing so have been frequently expressed, but retailing remains our most important industry and a further attempt to resolve some of them is therefore justified. First, let us see what these difficulties are.

Accounting Difficulties

A large proportion of the retail shops in Britain are small trading units controlled by sole proprietors, partnerships or 'one-man' companies. The predominant characteristics of these shops are inadequate resources and absence of accounting records. Generally speaking, however, such shops keep records of cash receipts and disbursements, purchases paid for by cheque and, where credit is given, customers' accounts. They take stock once annually, if at all, and a practising accountant prepares annual accounts for them in the form most convenient to the Inspector of Taxes. The scope of management accounting available to such businesses is necessarily limited and certainly does not extend to cost accounting.

Next, retail trading consists of a large number of apparently dissimilar operations, many of which, however, fall into distinct groups such as: articles, customers, seasons, etc. The retailer is in constant contact with the consumer, and must cater for his changing tastes without knowing very much about them at the time. Eventually the information obtained at the point of sale filters back to the manufacturer, refined to a tolerable clarity, but this is of little help to the retailer because by the time the manufacturer gets his conclusions back to him, conditions have changed. Apart from the 'bread and butter' lines which he stocks, then, the retailer is usually taking a gamble when he puts an article out for sale.

To this complication is added another: the velocity of turnover. Not only does the retailer handle a large number of items, but he does so very frequently – over and over again – and profitability depends on increasing this velocity as much as possible. The greater the number of sales, the greater the chances of earning a profit and the

greater the profit on all transactions. But this high velocity of turnover precludes the possibility of keeping stock records similar to those kept by a manufacturer, since the cost of doing so would consume the greater part of profit. Only the large chain and department stores can keep detailed stock records, since the cost is absorbed by a number of trading units or departments.

Finally, the capacity of a retail shop is always limited by its size which dictates the quantity of goods which may be stocked and the number of personnel who may be employed. The result is that the cost structure of retail businesses is predominantly fixed, although most observers hold the facts to be the contrary. The costs of building occupation, personnel and the average stock on hand, are fixed in the sense that they vary practically not at all up to capacity.

The Costing Problem

The retail trades have received less than their fair share of attention from writers on cost accounting. This is because from the beginnings of commercial history, a group of conventions have been accepted for use in retail trading which are, in effect, a substitute for costing. Net sales, less purchases (adjusted for opening and closing stocks) gives the gross profit, and, after deduction of expenses, the net profit. Each of the other items in the profit and loss account is expressed as a percentage of net sales – an early attempt at ratio analysis which has not been further developed. As a result of the acceptance of these conventions, the determination of retail prices has been related with great consistency, not to the cost of the item sold, but to the gross profit percentage – the 'retailer's mark-up'.

The weaknesses of this system are widely appreciated at the present time, particularly in the U.S.A., where protest has been translated into effective action. First, sale price is consistently related to purchase price, irrespective of the cost structure of the business, or the state of the market; secondly, use of a uniform percentage of mark-up for departmental sales ignores the elasticity of the price-demand relationship in respect of individual articles; thirdly, the contribution factor is excluded, which means that the vital aspect of *total* contribution to gross profit is

neglected, attention being directed solely towards percentage of gross profit. Clearly, 150 articles sold with a mark-up of 25 per cent on purchase cost will produce more profit than fifty articles sold with a mark-up of 50 per cent on purchase cost. Unless substantial additional expenses are thereby occasioned, the former selling policy will be preferred.

Further, where the mark-up is added separately to each item and expenses applied against the gross profit as a whole, no indication of profitability can be arrived at in respect of any article sold. An attempt to solve this problem is the departmental profit and loss account, but with only partial success. In particular, where the most important department dictates the gross profit percentage and expenses are allocated to departments on the basis of net sales, it is assumed, first, that the most important department causes the major part of the expense, and secondly, that the expenses allocated to departments are equally applicable to all products sold by the departments. Neither of these assumptions is necessarily correct.

Stock-taking – the Basic Problem

As in manufacturing the basic problem of ascertaining cost of sales, whether for individual lines or for departments, is the valuation of residual stocks. We have seen that book stocks are available only to the largest organizations, and even here valuation is not always a simple matter. For the smaller shop, stock-taking presents a major physical problem. Even where annual stock-taking by an independent stock-taker is the custom, however, and it is therefore possible to departmentalize transactions for the year, there must be many retail businesses which do not present their accounts in the form best suited for management accounting.

The possibility of departmentalizing transactions by analysing opening stock, purchases and closing stock by classes of goods, and adding the mark-up for each class separately, reveals that the use of a standard mark-up within a department greatly facilitates the preparation of annual inventory and profit and loss account, and this explains the almost universal adoption of the retail inventory method of accounting for stocks by department stores. All articles are marked at selling prices and charged to the department at these prices, so that stocks can be ascertained arithmetically at any moment by comparing net sales to date, less the appropriate mark-up, with purchases. When the physical inventory is taken,

values need not be ascertained by a time-consuming search through purchase invoices or thumbing of catalogues; the selling price is noted and the inventory reduced to 'cost' by deducting the mark-up percentage for each department.

It must be recognized that this stock-taking problem is a practical difficulty and not a logical objection to the argument that profit is the excess of sales over cost of sales for all items collectively, and that profit can only be analysed by making this calculation for each class of articles, if not each article, separately. Further, if the cost of each article could be ascertained, the retailer would be in a better position to negotiate prices with manufacturers and wholesalers, to influence the design and packaging of the article, and to determine the 'mix' of articles which would produce the maximum gross profit on a given total sales figure.

Self-service Stores

Self-service stores have already made a contribution towards solving this problem, particularly in the U.S.A., where they are more numerous than anywhere else. It is assumed from the outset that the objects of stock control are to ensure that the consumer's requirements are met, to avoid excess cash investment in goods, and to reduce losses caused by marking-down the prices of slow-moving or deteriorated stocks to a minimum.

To simplify the task, all articles are subjected to a primary analysis into retail departments and cost departments, and care is taken to separate cash receipts into these two headings in the shops themselves. *Retail departments* are those where the price of the article sold is determined by the mark-up procedure; they may be analysed further into: tobacco, confectionery, groceries, bottled drinks, toilet requisites, fancy goods, stationery, toys, clothing, and so on. *Cost departments* are those where the price of the article sold is determined arbitrarily; these may be further analysed into: meat, fish, poultry, vegetables, fruit, sandwiches, draft beverages, etc. Additional analysis of each of these categories is both possible and desirable.

Retail department items are the difficult elements of stock control, since the turnover of stocks of cost items is considerably greater. The Census of Distribution for 1957 showed average stock turnovers (average annual turnover divided by end of year stocks) for a number of branches, and the following figures have been selected to illustrate the point.

Dairymen	79.5
Butchers .. .	142.3
Fishmongers, poulterers .. .	168.5
Greengrocers, fruiterers .. .	43.6
Grocers, provision merchants .. .	15.1
Off-licences .. .	8.6
Confectioners, tobacconists, newsagents	13.4
Boot and shoe shops .. .	3.6

Clearly, the higher the stock turnover ratio, the less effect stock values have on profit determination; in a business which has no stocks the problem is non-existent. The question, therefore, is how to convert retail department inventories to cost without using a fixed mark-up percentage from one year to another.

The Cost Percentage

At the commencement of its operations or at a convenient change-over date, stock of the self-service store is taken at cost. For each of the succeeding eleven accounting periods (twelve, if a four-weekly period is used), stock is taken at retail prices and reduced to a calculated cost by the use of cost percentages which will be explained later. At the close of the accounting year, and annually thereafter, stock is taken at both cost and retail prices. Differences between stock at actual cost and at calculated cost are charged or credited to the profit and loss account, and not included in cost of sales.

The cost percentages are calculated for each month (or four-weekly period) for each distinct retail department, for the business as a whole. This means the shop where only one self-service store is operated, and all shops in the case of a chain. At the end of each accounting period, the total cost value of the opening stocks plus purchases for each distinct retail department is divided by the total of the retail value of opening stocks plus purchases and price increases of that department. The percentage obtained is the cost percentage of that department for the period.

<i>Example</i>	<i>Cost</i>	<i>Retail</i>
	£	£
Opening stocks	4,100	5,000
Purchases for period	7,955	10,000
Price increases	—	1
Accumulated value	£12,055	£15,001

Cost percentage $\frac{£12,055}{£15,001} = 80.36$ per cent.

Price decreases are not considered in the calculation of cost percentages, except where there has been both an increase and a smaller decrease on the same article during an accounting period,

when only the net increase will be reflected in the calculation.

If this procedure is followed, then the articles in stock can be counted monthly and valued at retail prices and reduced to cost by the application of the appropriate cost percentage, with tolerably accurate results. This enables the advantages of the retail inventory method of accounting to be combined with realistic marketing and pricing policies.

Classification of Expenses

We have now arrived at the point where the materials element of cost of sales can be identified in a manner which compares with the accepted principles of cost accounting for manufacturing industries. In order to complete the picture, however, it is necessary for the retailer to know which articles are incurring the expenses which appear in his profit and loss account. To departmentalize expenses on the basis of net sales is patently inadequate. Even where the principle of causality is respected, by apportioning expenses in accordance with measurable relationships, such as space occupied in relation to total space, the result may be substantially false. Discounts, carriage inwards and outwards, advertising, storage, salesmen's commissions and even purchasing expenses must be related to those articles in respect of which they have been incurred.

This procedure can be facilitated if a system of budgetary control is applied in respect of purchases rather than departments as a whole. The object is to oblige the buyer to think in terms of total cost rather than the difference between the purchase price and the selling price of the article in question. The total of each class of expenses for all purchase budgets within a department will then be the target expense budget for the department as a whole. If this is done systematically, it will gradually become possible to estimate the expenses involved in selling any particular purchase of goods which the retailer is considering.

The next step would be to decide which alternative prices may be charged for the articles in question and what volume of sales can be achieved at each of these price levels. Finally, the retailer would determine the total profit 'contribution' which each level of prices will enable him to make, being the amount provided by the sale of the articles towards his fixed total expenses and towards his net profit. He will also be in a position to decide rationally between conflicting claims for his working capital, choosing to stock those items which will make the greatest

contribution in the shortest period of time.

It is not difficult to devise an accounting system in which purchases can be analysed by articles if necessary, as well as departmentalized for profit and loss account purposes. The analysis of sales can be achieved by using several cash registers, or multi-register appliances, or simply by making use of the records of each sale kept by the sales staff in the course of their operations. To analyse expenses is more difficult, since it involves recording them when they occur and not when they are invoiced, but the initial task of creating

a serviceable analysis is the major effort involved.

As for the stock-taking difficulty, I cannot be alone in observing that a great deal of idle time is spent by sales personnel in all shops, and it may well be that once the idea of a monthly stock-taking is accepted as essential for cost accounting in the retail trades, the administrative problem will be solved quite easily. For this purpose it may be necessary to adopt accounting periods which do not coincide with the calendar, for example, a four-weekly period ending on a Wednesday or Thursday.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

AUSTRALIA

Asian and Pacific Accounting Convention

MORE than 1,150 accountants attended the Second Asian and Pacific Accounting Conference and Convention held in Canberra and Melbourne recently, sponsored by The Australian Society of Accountants and The Institute of Chartered Accountants in Australia. The conference in Canberra took place from March 31st to April 2nd and the convention in Melbourne from April 4th to 7th.

Sixty of the delegates represented organizations in Canada, Ceylon, China (Nationalist), Hong Kong, India, Indonesia, Japan, Korea, Malaya, New Zealand, Pakistan, Philippines, Singapore, Thailand, and the United States. The rest of the delegates were Australian: about 800 being from Victoria, 145 from New South Wales, eighty from South Australia, thirty-five from Queensland, thirty from Tasmania, and ten from Western Australia.

The conference, which was held in the new Academy of Science building in Canberra, was opened by the Prime Minister, the Right Honourable R. G. Menzies, C.H., LL.M., Q.C., and was attended by the official delegates only of the various countries. The conference sessions were concerned with organization, training and ethics in the profession. Mr O. H. Paton, immediate past president of the Australian Society of Accountants, presided.

The convention in Melbourne was opened by His Excellency the Governor of Victoria, General Sir Dallas Brooks, K.C.B., K.C.M.G., K.C.V.O., D.S.O. The Right Honourable Sir Owen Dixon, G.C.M.G., M.A., LL.B., Chief Justice of the High Court of Australia, gave an oration, and the President of the Convention, Mr J. W. Peden, President of The Institute of Chartered Accountants in Australia, welcomed delegates.

The four technical sessions proved of great interest; their main subject categories were: 'Account-

ing methods', 'Financial planning and control', 'The accountant and pricing policy', and 'Accounting and auditing standards'. The programme also included a number of enjoyable social functions.

Income Yet to Mature

IN a recently issued pronouncement, the General Council of The Institute of Chartered Accountants in Australia states that where balance sheets of finance and other companies contain such items as 'amounts due and to mature under hire-purchase, mortgage and other contracts', such amounts of 'income yet to mature' should be 'netted', that is, deducted from the corresponding asset and not shown separately on what is called the liabilities side. In particular, the General Council suggests that this practice should be followed by accountants in demonstrating the total tangible assets when reporting for prospectus purposes or in connection with the funding of loans and debentures.

The reasoning behind this recommendation is apparent. Income due to mature is an anticipated future earning and does not, in consequence, create an immediate asset. While it is convenient to record it in the books at the same time as entering the unpaid principal sum (when the deal is made), the future interest element in the transaction is in the nature of a memorandum contra entry and, as such, should be adjusted as suggested to avoid inflating both sides of the balance sheet. This treatment makes it clear that no credit has been taken for income not yet due nor has a corresponding debit to the customer's account been regarded as an asset.

SOUTH AFRICA

Survey of the Accounts of Public Companies

MEMORANDUM No. 19 in the National Accounts Series has now been published by the South African Bureau of Census and Statistics

giving 'A survey of the accounts of public companies for the years 1956-57 and 1957-58'. The analysis has been made with the object of studying the trends in profits, saving and investment and is on similar lines to the survey carried out for the period 1953-54 to 1956-57 (see 'The Accounting World', May 23rd, 1959). The present memorandum deals with the annual accounts of 365 public companies whose shares are quoted on the Johannesburg Stock Exchange, classified under three main headings: (1) 250 manufacturing companies, subdivided into thirteen groups, of which the most important are metals and metal products (fifty-eight companies), food (thirty-nine companies) and building materials (thirty-eight companies); (2) ninety-three commercial wholesale and retail companies, of which sixty-one deal in consumer goods and thirty-two in producer goods; (3) twenty-two service companies, of which the liquor and catering trade account for fourteen companies.

From the detailed tables given, it can be seen that the net profit of all companies as compared with the previous year increased from 7 per cent in 1955-56 to 14 per cent in 1956-57 and 3 per cent in 1957-58. Compared with 1956-57, the net profit of all manufacturing companies combined increased by 5.2 per cent and services by 6.3 per cent, whilst the net profit of the commerce group decreased by 7.1 per cent. The total net profits of all the companies for the years 1957-58 (those for 1956-57 shown in brackets) were distributed as follows: taxation 31.9 per cent (30.8 per cent), dividends 37.3 per cent (36.7 per cent), and savings 30.8 per cent (32.5 per cent). One table shows the net profit expressed as a percentage of the mean shareholders' funds, which consist of issued share capital, share premium and reserves including unappropriated profits, in order to show profitability. The ratio steadily decreased from 15.6 in 1955-56 to 14.6 in 1957-58. In the manufacturing, commerce and services groups, the ratios decreased from 16.1 to 15.2, from 13.8 to 12.1, and from 15.6 to 14.9 respectively, during the period 1955-56 to 1957-58, thus indicating that capital investment in manufacturing was in general more profitable than investment in commerce and services.

The preference dividend yield for all companies in 1957-58 was 5.9 per cent, whilst that on ordinary shares decreased from 13.1 per cent in 1955-56 to 12.2 per cent in 1956-57 and then increased slightly to 12.6 per cent in 1957-58. Ordinary dividends expressed as a percentage of shareholders' funds, excluding preference shares, decreased from 5.8 per cent in 1955-56 to 5.3 per cent in 1956-57 and 5.2 per cent in 1957-58.

The total assets from all groups of companies combined increased by £58.1 million during 1957-58 which represents an increase of 7.9 per cent over the total assets at the end of the financial year 1956-57. The annual rate of expansion decreased from 8.7 per cent in 1954-55 to 7.3 per cent in 1955-56 and to

5.8 per cent in 1956-57, and then increased to 7.9 per cent in 1957-58. Savings out of current profits contributed 37 per cent in 1954-55, 43 per cent in 1955-56, 52 per cent in 1956-57 and 38 per cent in 1957-58 of the additional funds acquired annually for financing the increase in assets. The amounts saved during 1956-57 and 1957-58 remained more or less constant. Funds raised in the form of both long-term and temporary loans, however, increased appreciably during 1957-58 (29.1 per cent) as compared with 1956-57 (9 per cent).

The conclusion to be drawn from the survey is that the South African economy during 1957-58 expanded at a greater rate than in the previous two years, but that equity shareholders, although still receiving a satisfactory return on their investment, were contributing nearly one-third of all net profits, towards the self-financing of that expansion.

UNITED STATES

Five Years Progress

A TABLE in the *Survey of Current Business*¹ for February shows at a glance the progress made in the American economy between 1954 and 1959. In that time, the gross national product rose from \$363 billion to \$479 billion at current prices, and to \$426 billion at constant 1954 prices. The latter figure represents an increase of just over 3 per cent a year. Personal incomes kept pace with the rise in the gross national product. Industrial production rose by 24 per cent over the five years – an annual average increase of 4.2 per cent – but the rates achieved each year differed widely from the average. Indeed, there was a fall of 7 per cent between 1957 and 1958 and a rise of 13 per cent last year from the recession of 1958. Farm output rose by 13 per cent over the five years under review.

The rise in industrial production was achieved with but little increase in industrial employment. There was a rise of 3½ million in the employed population between 1954 and 1959, but this increase was wholly absorbed by the service trades and Government establishments. Employment in distribution increased by nearly a million, a further million entered other service trades, and one-and-a-half millions went to Government service. The latter service accounted for nearly one-sixth of the total employees in non-agricultural establishments.

Wholesale and retail prices both rose by about 9 per cent over the five years, but within this overall rise there was a fall of 6 per cent in the price of farm products. Perhaps the most interesting and important development in the American economy, from the international point of view, was the rise in American imports between 1954 and 1959. This rise amounted to 50 per cent whilst exports rose by only one-sixth. The liberal import policy pursued by the Americans during this period greatly eased the world dollar shortage.

¹ Published by the U.S. Department of Commerce.

TAX CASE SURVEY - I

Important Tax Decisions of 1959

by E. C. MEADE, F.C.A.

WHEN I accepted, nearly a year ago, your chairman's invitation to address this Society on recent tax cases, I assumed that in the intervening months a number of adventurous spirits would be bold enough to enter battle with the tax gatherer through the medium of our Courts. Fortunately, the number of battles so fought have been eminently satisfactory from my point of view, and have presented me with a number of decisions on which I can base my talk. In fact, no less than 125 decisions on Revenue cases have been given by our Courts over the last year, and in view of the time available to me, I can only review those which in my opinion are of especial interest.

Corporate Residence

Unit Construction Co Ltd v. Bullock

Although the place of residence of a company affects its chargeability to tax under the Income Tax Acts, the Acts themselves completely and utterly refrain from enunciating the principles and tests to be applied in determining corporate residence. The Courts have therefore been required to define the legal incidents inherent in corporate residence, and this they have endeavoured to do by way of analogy with an individual. If you turn to the first volume of *Tax Cases* you will find that two cases on this subject came before the Courts on February 2nd, 1876, and that even at that early stage in the history of income tax the residence of a company was held to be in the place where the central management and control abided. This concept of corporate residence has thus remained with us for over eighty years, and to quote the words of Lord Sumner in 1929: 'It has far too long been cited with respect to be overruled now.'

Those words are equally true today, thirty years later. Over the past eighty years numerous cases have been decided in the Courts on this question, and these have assisted in clarifying the factors that have to be taken into account in determining corporate residence. But doubts have continued to arise, and in particular with regard to dual residence, and it

was in this context that the Unit Construction Company decided to contest the Inland Revenue's refusal to admit that their East African associated companies were resident in the United Kingdom.

Both the Unit Construction Company and three companies incorporated in Kenya were wholly-

owned subsidiaries of Alfred Booth & Co Ltd. It was freely admitted that the Unit Construction Company was resident in the United Kingdom. The Kenya subsidiaries had sustained losses in the relevant years, and with a view to obtaining tax relief in this country in respect of those losses, the Unit Construction Company had made subvention payments to each East African company. The subvention payments could be valid for tax purposes only if the East African companies were resident in the United Kingdom and therefore the only question before the Courts was whether the East African companies were resident in the United Kingdom. The Special Commissioners' findings of fact were that all the directors of the East African companies were resident in East Africa, that the articles of each company precluded any board



Mr E. C. Meade

and general meetings from being held in the United Kingdom, and that the management of each company was placed by its memorandum and articles in the hands of the directors. Constitutionally, therefore, the management and control could only be exercised outside the United Kingdom. But the facts were at variance with the constitutional position. It had become the practice of the board of the parent company to interfere with the management of the East African subsidiaries by issuing instructions on management to the directors of the subsidiaries, and it was openly admitted that those instructions were accepted and acted upon. And thus we come to the vital finding of fact by the Special Commissioners, namely, that at the material times the boards of directors of the subsidiaries were standing aside in all matters of real importance and in many matters of minor importance affecting central management and control, and that the real controlling power and authority of management was vested, to a very substantial degree, in the board of the parent com-

pany. This final finding was accepted by the Courts, but the point requiring determination was whether a company is resident in the country in which its management is in fact situated, or whether it is resident in the country in which, by reason of its constitution, it is required to be managed and controlled.

Both Mr Justice Wynn-Parry and a unanimous Court of Appeal held that in determining the question of corporate residence the constitutional position was all important and the *de facto* position was irrelevant. They thus held that the subsidiaries were resident outside the United Kingdom. To many this represented an astonishing decision, for it was admitting that a company registered abroad, by prescribing in its articles that its business should be carried on by its directors meeting in a foreign country, could claim that its residence was in that country, although every act of importance was directed from the United Kingdom. But the decision was short-lived, for on November 30th last it was reversed by the House of Lords. Their lordships held that the true test of corporate residence was a matter of actual fact and not one dependent on formal regulations, and that on the facts of the case the subsidiaries were resident in the United Kingdom.

In considering the implications of this decision it is important to bear in mind that the directors of the subsidiaries had ceased to direct the companies, for not only did they stand aside and permit all policy decisions to be taken by the directors of the parent company, but they failed to hold any board meetings at all. There was thus no top managerial control or direction exercised in Kenya, with the result that the companies were certainly not resident in Kenya. That being so, the question then arose as to whether it was possible for a company to have no residence. Their lordships not unnaturally took the view that a company must be resident somewhere, and that the only answer to the problem was that the companies must have been resident in the United Kingdom, in which country all policy decisions were taken.

On the basis of this analysis there seems to me to be little risk that the Inland Revenue will attempt to use this decision as a general authority for contending that foreign subsidiaries are resident in this country. Provided that the boards of the foreign subsidiaries do, in fact, meet abroad and make policy decisions at those meetings, then the fact that they may receive advice and suggestions from time to time from the board of the United Kingdom parent company is not sufficient to affect their residential status. Residence follows management, but advising management does not, of itself, constitute management.

Tax Liability on Remittance Basis

Thomson v. Moyse

I would like next to refer to the case of *Thomson v. Moyse*, for as a result of the Court of Appeal's decision in this case it would appear that for over

one hundred years taxpayers and their advisers have failed to realize that the income tax liability on the remittance basis under Cases IV and V of Schedule D could be avoided by means of a simple and legitimate transaction. I must, however, express a word of warning, for not only may the case be taken to the House of Lords but there is also the likelihood that an early opportunity will be taken in a future Finance Bill to close the loophole that has been revealed.

Mr Moyse was liable to income tax on his income from American securities and possessions on the remittance basis. The income had been credited to his bank account in America, and in order to obtain English currency, Mr Moyse adopted the following procedure. He drew a cheque on his American bank in favour of his English bank. He then delivered this cheque to the English bank requesting it to purchase the cheque for the sterling equivalent of the dollars it represented. The English bank acceded to this request and credited Mr Moyse's account with the sterling equivalent of the dollar cheque. It is important to recognize that at this stage Mr Moyse ceased to have any further interest in the transaction, for he had obtained the English currency which he wanted. The English bank, on the other hand, which had purchased the cheque, then sold a like amount of dollars to the Bank of England and sent the cheque to America where it was presented and cleared on Mr Moyse's American bank account, the English bank's account in America being credited. The transaction will have been completed by the American bank paying out the dollars to the Federal Reserve Bank in New York for the credit of the Bank of England.

Both Mr Justice Wynn-Parry in the High Court and Lord Justices Jenkins and Romer in the Court of Appeal attached great importance to the finding of fact by the Special Commissioners that the transaction represented a purchase of sterling by one of the English bank's customers and that the English bank was acting as principal and not as Mr Moyse's agent. They considered that Mr Moyse could be made liable to tax under Cases IV and V only if what he received in the United Kingdom was his American income. On analysing the form which the transaction took, they could come to only one conclusion, that being that the sterling payment arose in the United Kingdom and was not brought here from abroad. Mr Justice Romer said that Mr Moyse had never directed the New York bank to remit any money to him either as dollars or in the form of sterling. Nor had he directed the bank to remit the dollars to the London bank as his agents. The London bank, however, could have received (and in fact did receive) payment of the dollars in the United States. Eventually, *via* the Bank of England, they had received sterling in this country, which represented the dollars which they or their agents in the United States had acquired from the New York bank on presentation of Mr Moyse's cheque; but by that time the transaction had been closed so far as

Mr Moyse was concerned, and he had no interest whatsoever in the sterling that had thereafter been remitted.

This decision, I would submit, is not a very logical one, for there are few who would not regard the surrender of the right to dollars in America in exchange for the right to sterling in London (each right being money evidenced by a credit balance in the books of a bank) as a remittance of funds. But logic and tax law are all too frequently irreconcilable.

Share Option a Taxable Emolument

Abbott v. Philbin

The modern tendency to endeavour to find a way of remunerating employees in a tax-free form is undoubtedly a result of the very high level of personal taxation that has persisted over the last twenty years. It is in this context that I would like to refer to the share option case, *Abbott v. Philbin*, decided by the Court of Appeal in October last. Mr Abbott was the secretary of a company which invited him, in consideration of a payment of £20, to take up an option giving him the right to allotment of 2,000 ordinary shares in the company at £3 8s 6d a share, the then ruling market price. The option was for a period of ten years and was not transferable. Moreover, it ceased on the death of the holder or on the ending of his service with the company. Mr Abbott took up the option and exercised it to the extent of 250 shares one year later. At the time the option was exercised, the market value of the shares was £4 2s 0d. He was assessed to income tax for the year in which he exercised the option on a sum equal to the difference between the price of the 250 shares at £4 2s 0d a share and their price at £3 8s 6d a share, with a deduction in respect of a proportionate amount of the option price of £20.

It was contended on behalf of Mr Abbott that the option when granted vested in him a right of property in 2,000 shares forthwith, and that the right was an emolument assessable at that time. Mr Justice Roxburgh in the High Court accepted this contention, for he considered that the option, having been bought for a valuable consideration, was a chose in action purchased on a specific date, and consequently was a perquisite of the employment assessable in the year of purchase. But his decision left unanswered the question as to whether the perquisite could be effectively taxed owing to the difficulties of valuation, and on what principles the valuation should be made. In arriving at his decision, Mr Justice Roxburgh had found it necessary to distinguish an almost identical case, namely, *Forbes' Trustees v. C.I.R.*, which had been decided a year previously in the Scottish Court of Session. I think it is a fair inference to assume that he had come to the conclusion that the *Forbes' Trustees* case had been wrongly decided but he recognized that he was on safer ground in attempting to distinguish it rather than in boldly stating that he was not bound by a ruling of the Scottish Courts. His decision was reversed by a

unanimous Court of Appeal. The Master of the Rolls, whilst admitting that the Court was not bound by a decision of the Scottish Court of Session, nevertheless considered that it was the duty of the Court to follow the Court of Session unless there was some compelling reason for not doing so. It could not be right, he said, to apply income tax law in such a way as would result in one law for Scotland and a different law for England.

As a result of this decision, it is clear that an option granted to an employee represents a taxable emolument of the year in which it is exercised, and that the *quantum* of the emolument is the difference between the price paid for the shares and their value when they are taken up. But does not this decision open yet another door for avoidance? For if the option is not exercised by the employee until after he has given up his employment, no assessment could be made on him, for it is a cardinal principle of our income tax law that income derived from a particular source cannot be taxed in a year during which the source was non-existent. But the last word on this matter has not yet been said, for the case is, I understand, being taken to the House of Lords.

Valuation of Work in Progress

Duple Motor Bodies Ltd v. Ostime

I would now like to turn to what I consider to have been the most disappointing case of the period I am reviewing. The Inland Revenue not unnaturally have for some time past been anxious to obtain a Court decision on the question of the valuation of work in progress, but the case chosen for this purpose was so mismanaged by the Special Commissioners at the hearing before them that by the time it came before Mr Justice Vaisey in the High Court little or nothing could be salvaged from the wreck. I need scarcely remind you that ordinary principles of commercial accounting require that the profit of a manufacturing company for a given accounting period should be ascertained by taking into account stock-in-trade and work in progress at the beginning and at the end of the period. That stock-in-trade should be valued for this purpose at cost or market price, whichever is the lower, has not been disputed since 1925, when this method of valuation was specifically approved by the House of Lords in *Whimster & Co v. C.I.R.* The right of a trader to apply this principle of valuation to each individual item of stock was established in the *Cock Russell* case in 1949. But the ascertainment of cost in relation to manufactured stock has remained undetermined.

There are those who consider that, in arriving at cost, direct or prime costs only should be included. There are others, including the Revenue authorities, who go to the opposite extreme and interpret cost as implying the inclusion of overheads in addition to prime costs, notwithstanding that all or part of those overheads may be fixed in the sense that they are incurred irrespective of the quantity of output in

the particular period. There are others who take a middle course. The case of *Duple Motor Bodies Ltd v. Ostime* represented an attempt to sweep away these doubts. The company carried on the trade of building bodies on motor vehicle chassis supplied by its customers. At the end of its accounting period the partly-built bodies had been valued at direct cost only. The Inland Revenue sought the inclusion of overheads in the valuation.

At the hearing before the Special Commissioners, two practising chartered accountants gave evidence on behalf of the company, and an ex-senior Inspector of Taxes gave evidence on behalf of the Revenue. Our Institute's own Recommendations on Accounting Principles were also put forward in evidence. Having considered the evidence the Special Commissioners' findings of fact were expressed in the following terms:

'As regards the two methods of ascertaining the cost of work in progress (the direct cost and the oncost method) we find that the position is that both methods are recognized by the accountancy profession as correct accountancy. There is no cleavage of opinion in the profession as a whole in the sense that the advocates of one method consider the other method wrong or unsound. We find that up to fairly recently the weight of accountancy opinion was in favour of the oncost method, but that now the trend in the profession is slightly away from this method. On the evidence adduced before us, we find that the accountancy profession as a whole is satisfied that either method will produce a true figure of profit for income tax purposes. In this state of affairs, we find that it is very much a matter of policy for the decision of the directors of a company which method should be used.'

Up to this point all was well, for the Special Commissioners were perfectly entitled to say that either method was valid for tax purposes. That should have been the end of the matter, but unfortunately the Special Commissioners then proceeded to give reasons why they themselves favoured the oncost method and finally decided that the company's valuation should include oncost. In other words, the Special Commissioners, having said that either method could be adopted at the discretion of the directors, then took it upon themselves to select one particular method. In effect, the Commissioners purported to tell the directors what they should decide, on a matter that was wholly within their discretion. Put in more simple terms, the Special Commissioners had said: 'Let the directors choose, but their choice must fall on the oncost method.'

It was impossible to reconcile these findings of fact (freedom of choice) with the decision (no choice) and the only course left to Mr Justice Vaisey, when the case came before the High Court, was to accept the findings of fact and reverse the decision. As Mr Justice Vaisey said, if the Inspector of Taxes concerned, or for that matter, the Special Commissioners themselves, had been directors of the company, they would have been entitled, on the basis of the

findings, to have chosen whichever method they liked, but unfortunately for them they were not represented on the board.

The final result is that we are left with a decision of the Special Commissioners that either method may be employed, but as a decision of the Commissioners does not represent binding law, it seems to me that we are back to the position as existed before this case was taken¹.

Investment Allowance

Maden & Ireland Ltd v. Hinton

Whilst on the subject of manufacturing concerns, I should perhaps refer to the investment allowance case, *Maden & Ireland Ltd v. Hinton*. The case is of interest in view of the further light it throws on the meaning of the words plant and machinery. The company carried on business as manufacturers of boots and shoes, and used a number of heavy machines in that business. For the machines to function, it was necessary to insert in them knives and lasts appropriate to the type of shoe being manufactured. On account of this it was essential for the company to carry large stocks of these knives and lasts. The life of these implements was very short and they had to be replaced continuously. The company claimed that these knives and lasts were plant or machinery eligible for the investment allowance.

It is important to note that for the company to succeed, it had to prove two separate things: firstly, that the knives and lasts constituted plant or machinery; and secondly, that the expenditure incurred was capital expenditure. The Special Commissioners were satisfied on both these points but Mr Justice Vaisey found himself unable to agree with the proposition that the implements constituted either plant or machinery. He was influenced by the enormous number of knives and lasts that were required for operating comparatively few machines, but with respect I would say that the character of an article cannot be determined by the number involved. In the Court of Appeal, Lord Justice Sellers referred to the definition of 'plant' in *Wyld's Universal English Dictionary* as 'complete mechanical equipment, or apparatus, machines, implements, etc., necessary for carrying on some specific industrial operation'. He went on to say that whether any particular article could be described as plant or not, depended on the use to which that article was put, and did not depend on the size, weight, strength, weakness, durability or length of serviceable use. The Court of Appeal was unanimous in holding that the knives and lasts were plant and machinery and that the expenditure on them was capital expenditure.

In the House of Lords, all five of their lordships agreed with the Court of Appeal that the knives and lasts were plant, but the judgments made it clear

¹ The Crown's appeal against the decision of Vaisey, J., was dismissed by the Court of Appeal on March 18th. See *The Accountant*, March 26th, 1960.

that they considered that durability and length of serviceable use were factors to be taken into account. On the second question as to whether the expenditure was of a capital nature, three of their lordships considered that it was, and two that it was not. Clearly this was a borderline case and it would be a mistake to imagine that it is an authority for contending that loose tools generally qualify for the investment allowance; it was merely a decision given on the particular facts relating to the knives and lasts used in the company's business.

Balancing Charge: Cessation of Trade

Bennett v. Rowse

Whilst on the subject of capital allowances, I should make reference to the gallant but unavailing fight of Air Vice-Marshal Bennett, who through no fault of his own, found himself faced with an income tax assessment made on him for the year 1949-50 in respect of a balancing charge of £21,000. One can well imagine that the Air Vice-Marshal was incensed by this imposition, and it is not surprising that, in the true tradition of the service, he refused to accept defeat and personally conducted his own case through the Courts to the House of Lords. His appeal against the assessment was turned down by each tribunal.

Prior to the amending legislation introduced by the Finance Act, 1952, a balancing charge could be levied only if the event giving rise to it occurred before the cessation of the trade in which the asset had been used. Thus, if it could be shown that the occurrence of the event and the cessation of the trade took place simultaneously, no liability to a balancing charge could arise. The Air Vice-Marshal owned two aircraft and carried on the business of hiring them to a company. At about 3.20 p.m. on March 12th, 1950, one of the aircraft crashed and was a total loss. On hearing of the disaster by telephone later that afternoon, the Air Vice-Marshal immediately instructed the hiring company that the remaining aircraft, which at that time was undergoing repairs, should be grounded and that the hiring of the two aircraft was at an end. The aircraft that had been destroyed was insured and in due course a sum of £38,000 was received from the insurers. It was in respect of these insurance moneys that the balancing charge arose.

The Air Vice-Marshal contended that the destruction of the aircraft and the cessation of trading occurred simultaneously. But the important fact to remember was that the trade in question was one of hiring aircraft, and it was only after he had heard of the destruction of the first aircraft that the Air Vice-Marshal gave notice to the company that the hiring was at an end. If there had been only one aircraft, then the Air Vice-Marshal's case would have been much stronger, but unfortunately, when the accident occurred, there remained a second aircraft that was one of the business assets of the hiring trade and until the hire of that second aircraft was ended the business of hiring aircraft continued. In

other words the sequence of events was that the accident occurred and then at a later stage the trade of hiring was discontinued and their lordships had no difficulty in holding that even if the interval between those two happenings were a matter of minutes only it was sufficient to establish that at the time of the accident the trade continued to be carried on. This case provides an illustration on the importance of timing in income tax matters.

Double Taxation Anomaly

Imperial Chemical Industries Ltd v. Caro

I would next like to turn to a case that affords an illustration of the difficulties and anomalies that arise from the preceding year basis of assessment. Even if the Inland Revenue officials are correct in their opinion that the difficulties and complications of adopting a current year basis of assessment for trading profits under Case I are insuperable, I fail to see why a current year basis of assessment should not be adopted for income assessable under Cases III, IV and V. In the case of a new source of income, one year's income is taken as the measure of the United Kingdom assessments for two successive years. This feature produces an anomaly in regard to double taxation relief, for if the income is taxed overseas on a current year basis, only one year's foreign tax is available as a double tax credit against the tax arising on two assessments in the United Kingdom. That this is so has always been the view of the Inland Revenue, and it has recently received judicial support in the case of *Imperial Chemical Industries Ltd v. Caro*.

The company received gross dividends of £142,040 from an Australian company in 1954-55, and the Case V assessments for 1954-55 and 1955-56 were based on that income. The Australian tax referable to those dividends was £64,836, and the double tax credit available for set-off against the profits tax liability of the company was £15,624. The balance of credit available against income tax was thus £49,212. The company claimed that that sum should be allowed as a double tax credit against the income tax liability for 1954-55 and that it should also be allowed as a credit against the income tax liability of the following year, 1955-56. Mr Justice Wynn-Parry decided against the company, holding that the double taxation agreement between the two countries authorized a credit equal to the Australian tax actually borne, and that that sum could only be allowed once as a credit against the United Kingdom taxes payable in respect of the two dividends.

In circumstances such as this, it has always been the practice of the Inland Revenue to allow the income tax assessment for the second year to be reduced by an amount equal to the foreign tax less the profits tax credit. The legal justification for this is not free from doubt, but in this particular case the Crown conceded that the Case V assessment on the company for 1955-56 should be so reduced.

I would not like it to be assumed that there is no

answer to this particular problem. Provided that a wholly-owned subsidiary company is involved, the difficulty is easily overcome by ensuring that no dividends are paid by the foreign subsidiary in the year that forms the basis of assessment for two tax years. Alternatively, the difficulty would not arise if each foreign dividend were remitted to this country through an authorized paying agent. The paying agent would then deduct tax at source and there would be no question of a Schedule D assessment on the income, let alone any form of double assessment. Yet another method would be to ensure an 'actual' basis of assessment every year by arranging for one dividend every three or four years to be remitted through a paying agent.

Not Profit of Employment

Hochstrasser v. Mayes

Another case of especial interest is that of *Hochstrasser v. Mayes*, which related to a housing scheme operated by Imperial Chemical Industries Ltd for the benefit of its employees. Under the scheme an employee transferred from one locality to another was entitled to obtain from the company an interest-free loan to assist him in the purchase of a house in the new district. The loan did not have to be repaid until the expiration of fifteen years, unless in the meantime the employee was transferred elsewhere or his employment ceased by reason of his retirement, resignation or death. In either of those events the company would pay to the employee any loss of value of the house, and in the case of the employee being transferred and wishing to sell or let the house, he had to offer it to the company at a valuation price, the company undertaking to make up any loss. If the company declined to purchase the house so offered to it, the company would make up to the employee the loss on sale if it were sold within one year, or otherwise the loss on valuation at the end of the period.

Mr Mayes, the respondent in the case, was an employee of the company, and one of the conditions of his employment was that he should be prepared to move to any of the company's factories or offices to which he might be directed. For a number of years he had worked in Welwyn, but in 1950 he was transferred to Lancashire where he met with some considerable difficulty in purchasing a house. It was then that he first learnt of the company's housing scheme. A little later he received an interest-free loan from the company which enabled him to buy a house for £1,850. Four years later he was transferred to Yorkshire, and in accordance with the terms of the scheme he offered the house to the company. The company declined the offer, whereupon he proceeded to sell the house and finally received £1,500 for it. He thus suffered a loss of £350 and this amount was reimbursed to him by the company. The question at issue was whether the £350 could be assessed on him under Schedule E as a profit of his employment.

An important finding of fact by the General Commissioners was that Mr Mayes received under his service agreement the full salary appropriate to the appointment he held and that the housing scheme was introduced by the company not to provide increased remuneration for employees, but as part of a general policy to secure a contented staff by easing the minds of employees who were compelled to move from one part of the country to another. The natural inference to be drawn from this finding was that Mr Mayes' basic remuneration was the reward for the services he rendered, and that £350 was a payment made for some other reason. Time and time again the Courts have made it clear that the mere fact that an employer makes a payment to an employee is not sufficient to cause that payment to be liable to Schedule E tax; for it to be so liable it must be shown to be a reward for services past, present or future. Moreover the onus of proof rests upon the Crown and not on the taxpayer; it is for the Crown to establish that the payment is a reward for services, and it is begging the issue merely to argue that the recipient of the payment would not have received it had he not been an employee.

Their lordships in the House of Lords, holding that the £350 was not liable to tax under Schedule E, were at pains to distinguish the two types of payment. Lord Cohen instanced a payment made out of a provident or distress fund set up by an employer for the benefit of employees whose personal circumstances might justify assistance. Such a payment was not taxable, as it had nothing to do with the services rendered by the employee. He considered that the payment to Mr Mayes fell into the same category. Lord Denning instanced the type of case where an employee was injured at work and where the employer made a payment to the employee to compensate him for his injuries. No one would suggest that such compensation was a profit arising from the employment, for what he received would merely be compensation for his loss. Likewise, the payment received by Mr Mayes was a form of compensation for a personal injury, which in this case was an injury suffered in the form of monetary loss.

To distinguish between the two types of payment is far from easy in borderline cases. But the principle is clear. A payment made by an employer to an employee does not attract Schedule E tax simply because the payment would not have been made had the recipient not been in the service of the employer. For the payment to be taxable it must be a profit of the employment, which means that it must be in the nature of a reward for services rendered or to be rendered by the employee.

Penalties

C.I.R. v. Hinchy

Probably the most unsatisfactory aspect of the tax code in this country is the law relating to penalties. To a large extent the existing penalty legislation traces its descent from the Income Tax Acts of 1803

to 1806, and it is scarcely surprising that this legislation in the course of over 150 years and in greatly changed circumstances has acquired an obscurity and in some respects an artificiality that leaves the subject wholly uncertain as to its meaning. As long ago as 1909 we find the then Master of the Rolls referring to the penalty sections as 'ungrammatical and almost unintelligible'. The Codification Committee in 1936 severely criticized the state of the existing law and recommended a complete overhaul. In the face of these criticisms it was surprising to learn that the Board of Inland Revenue, in their evidence to the Royal Commission in 1955, stated that in their view there was nothing substantially amiss and that the existing legislation worked satisfactorily in practice. That this view is not shared by the leading law lords is amply illustrated by the judgments given in the recent *Hinchy* case. The need for a complete review of the penalty provisions is overwhelming, and I hope that the strong representations recently made to the Chancellor by our own Institute, by The Association of Certified and Corporate Accountants, by the Institute of Taxation and by other interested bodies, will have the desired effect.

In the *Hinchy* case, an incorrect return had been made by Mr Hinchy and the Crown took proceedings against him by Court action for the recovery of penalties under subsection (3) (a) of Section 25 of the Income Tax Act, 1952. The prescribed penalty was, to use the words of the subsection, 'the sum of twenty pounds and treble the tax which he ought to be charged under this Act'. The point at issue was the meaning of the words 'the tax which he ought to be charged'.

In the High Court, Mr Justice Diplock neatly side-tracked the main difficulties by holding that the penalty had to be calculated by reference to the tax which remained undercharged at the date on which the writ against Mr Hinchy had been issued. As in fact Mr Hinchy had by that time already paid over the undercharged tax, the result of this decision was that Mr Hinchy was only liable to the £20 penalty. But this construction found no support in the Court of Appeal or in the House of Lords, both tribunals taking the view that the material date for the penalty calculation was the date on which the offence was committed, which in Mr Hinchy's case was the date on which the incorrect return was made.

The Court of Appeal held that the words 'the tax that he ought to be charged' referred only to the tax that was undercharged by reason of the offence. This interpretation gave rise to a further difficulty. Mr Hinchy's offence was the making of an incorrect return for the year 1952-53, which means that he understated the income which he had received in the preceding year. As the omitted income in his case was untaxed interest assessable on the preceding year basis, no difficulty arose, as the undercharged tax would be assessable in 1952-53, that is, in the same year as that for which the incorrect

return had been made. But supposing the income omitted from the 1952-53 return had been assessable on the current year basis, such as taxed income liable to surtax or untaxed income arising from a new source. In those cases there would be undercharged tax for 1951-52 arising from omissions made in the 1952-53 return. The Master of the Rolls recognized this difficulty, but refrained from deciding what penalty could be awarded in such a case, as that position did not arise in the *Hinchy* case.

On January 14th last the *Hinchy* case came before the House of Lords and a reserve judgment was given three weeks ago. Their lordships were unanimous in reversing the decision of the Court of Appeal, holding that the words 'the tax that ought to be charged' referred to all the tax chargeable by direct assessment on the taxpayer for the year of the offence (in this case for the year 1952-53), whether it related to income omitted from the incorrect return or income included in the return. All that can be said in favour of this decision is that it has the merit of certainty, in that the measure of punishment can be accurately determined by aggregating the taxes chargeable by direct assessment for the year of the offence. But a punishment that bears no relation to the crime is a savage imposition. To take an extreme example, an error of one pound in a return could result in a penalty imposition of hundreds of thousands of pounds, and if proceedings were taken by the Crown for the recovery of the penalty under subsection (3) (a) of Section 25, the Court would be bound to award the full penalty, for it has no jurisdiction whatsoever to mitigate the penalty so as to ensure that the punishment fits the crime. That example alone demonstrates the irrational state of the law and provides sufficient grounds in support of the demand that the law should be amended forthwith. The statement made in the House of Commons a few days ago that the penalty provisions are being reviewed is thus extremely welcome.

Settlement 'Income' not Assessable on Settlor

Houry v. East African Commissioner of Income Tax

To return to more docile matters, the decision of the Privy Council last November in *Houry v. East African Commissioner of Income Tax* is of considerable importance in view of the similarity of the East African legislation and our own legislation relating to the point at issue. The case might well have arisen in the United Kingdom, and if it had, I think that the same decision would have resulted. The East African Act of 1952 contains two sections, namely, Sections 22 and 24, which are very similar to Sections 249 and 397 of our own Act of 1952. Under Section 22, 60 per cent of the undistributed income of certain companies may be apportioned among the shareholders, and the amount so apportioned has to be included in the shareholder's own total income. Under Section 24, any income, which by virtue of a settlement is paid to or for the benefit of an infant child of the

settlor, is deemed to be the income of the settlor and not the income of the child.

Mr Houry had transferred shares in a company to his two infant children, and it was admitted that the transfer was a settlement within Section 24. For the year in question a direction had been made on the company under Section 22, with the result that 60 per cent of the company's undistributed income was apportioned among its shareholders. The Commissioner had made an assessment on the father on the basis that the company's income apportioned to the children had to be treated, by virtue of Section 24, as the father's income.

The Privy Council held that the two sections were independent charging sections and were mutually exclusive; and that the apportioned income

could not be treated as the father's. Lord Radcliffe, delivering the only judgment, said that it was clear that no part of the apportioned income had in fact been paid to or for the benefit of the children. Section 24 applied only to payments and it could not be interpreted as applying to notional payments as well.

This decision reveals an important loophole open to shareholders of surtax companies by which they can minimize the effect of a surtax direction. There have, of course, been recent representations to the Chancellor for the revision of the legislation relating to company surtax so as to bring it into line with the current practice of the Special Commissioners, and I have no doubt that if the Chancellor acts upon these representations the opportunity will be taken at the same time to close this loophole.

Weekly Notes

Railway Planning Board

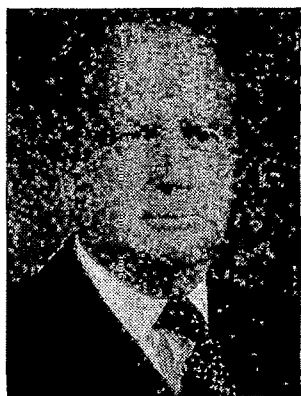
MR H. A. BENSON, C.B.E., F.C.A., a partner in the firm of Cooper Brothers & Co, Chartered Accountants, and a member of the Council of The

Institute of Chartered Accountants in England and Wales, has been appointed by the Minister of Transport as a member of an advisory body of four, with Sir Ivan Stedeford, K.B.E., as chairman, to examine the structure, finance and working of the organizations at present controlled by the British Transport Commission.

The group will advise the Minister and

the Transport Commission, as a matter of urgency, on how effect can best be given to the Government's intentions regarding the railways, which were indicated in a recent statement by the Prime Minister. In his statement, Mr Macmillan referred to the need for decentralization of management so that individual undertakings, including the regions of British Railways, should as far as practicable be made fully self-accounting and responsible for the management of their own affairs.

Mr Benson, who is aged 50, at one time served as deputy chairman of the Fleck Committee on the organization of the National Coal Board, and has been a member of a number of other Government committees. The other members of the group are



Mr C. F. Kearton, O.B.E., joint managing director of Courtaulds Ltd, and Dr R. Beeching, A.R.C.S., B.Sc., PH.D., technical director of Imperial Chemical Industries Ltd. The Treasury and Ministry of Transport will also be represented, but the officials have yet to be named.

Wright Hamer Investigation

SIR WILLIAM CARRINGTON, F.C.A., with Mr Norman J. Skelhorn, Q.C., was appointed in August 1957 by the Board of Trade to investigate the affairs of Wright Hamer Textiles Ltd, in accordance with Section 164 of the Companies Act, 1948. Their report has now been published (H.M.S.O., 15 net). In it they point out that there was a close connection between the company and Hide & Co Ltd and certain of its subsidiaries. For this reason it was necessary to defer completion of the report pending the completion of criminal proceedings against Mr L. P. Jackson, the former chairman of Hide & Co Ltd.

An offer for sale of some of the company's shares was made on March 10th, 1949, and quoted a report and valuation made by Valuations Ltd, which included a valuation of the company's buildings at Clay House Mills, Greetland. This valuation stated that the buildings comprised 'the substantially-built six-storey main mill, two- and three-storey subsidiary buildings and single-storey sheds', and it valued those buildings, together with two dwelling houses at £46,061. By April 1954 the main mill building thus described and valued was in danger of collapsing and had to be abandoned. Moreover, two days before the offer for sale, a firm of architects had advised that the mill building required strengthening.

The inspectors refute criticisms by the shareholders as to the profits shown in the auditors' and accountants' report contained in the offer for sale and say they have no reason to criticize that report. They conclude by saying that it would have been difficult for the company to have made profits once the post-war boom had ended, but add that bad or inattentive management on the part of Messrs L. P.

Jackson and Charles Stuart Asbury, F.C.A. (a director of Hide & Co Ltd), had contributed very materially to the company's failure.

Failure to Deduct Tax

THERE are many types of payments from which tax is deductible at source: annual payments, royalties, and rents payable under long leases of more than fifty years. Where such a deduction is made, the payer may retain the tax deducted in so far as the payment is made out of a taxed fund of income; otherwise, he must account to the Revenue for the tax, for he is made an agent and collector on the Revenue's behalf. Failure to deduct tax raises a number of interesting problems. Where the payer would have been liable to account to the Revenue for the tax which he has or ought to have deducted, his failure to do so will, it seems, not necessarily make him liable to account to the Revenue. The Revenue have an option in the matter and may elect instead to seek their remedy against the payee.

This appears to be the effect of the recent decision in *Grosvenor Place Estates Ltd v. Roberts* ([1960] 1 All E.R. 643). There the National Coal Board made a payment of rent under a long lease to their landlords, Grosvenor Place Estates Ltd, without deducting tax. As the payment of rent was not made out of a taxed fund, the Board would have been liable to account to the Revenue for the tax. The Revenue, however, elected to assess the landlords for the excess of the rent that they had received in consequence. This assessment was upheld by the Court.

Payment of Wages by Cheque

THE Payment of Wages Bill was considered on report and received its third reading in the House of Commons on March 30th. On report certain amendments were agreed to, the most important being those to Clause 1 (request for payment of wages otherwise than in cash) and Clause 4 (payment of wages otherwise than in cash in cases of absence). The amendment to Clause 1 has been made to obviate uncertainty on the part of an employee as to whether or not his employer has accepted a request by him to pay him his wages in a manner authorized by the Bill. The effect of the amendment is that a request will cease to have effect unless within fourteen days from the date thereof, the employer signifies his agreement to it either by notice in writing to the employee or by paying him his wages in the manner specified in the request. If, therefore, the employer proposes to implement the request, but not within fourteen days, he must signify his acceptance of it in writing.

The object of the amendment to Clause 4 was to meet the case - which is likely to be an unusual one - where an employee does not want his wages sent to him in the event of his being unable, because of illness or for some other reason, to be at his usual place of payment. The Bill now provides for the

employee giving his employer notice in writing declaring that he does not wish to have any of his wages paid to him by postal order or money order. Such a notice remains in force until cancelled by the employee by a further notice in writing, and during its validity has the effect of excluding the provision for payment by postal order or money order during absence.

Furniture Industry Costs

THE scheme sponsored by the Furniture Development Council whereby participating firms may compare their costs, year by year, under conditions of strict secrecy, has just completed its sixth year of useful existence. The Council's latest report indicates that, despite rises in raw material costs and wages, increased demand has been met without stepping up prices. This, the Council states, is partly due to firms being able to make better use of the direct employee's time, ancillary labour being so deployed as to enable the craftsman to work more efficiently and productively.

Another comment by the Council is that the net profit has risen in relation to capital employed but not by as much as the increase in the gross profit margin would have suggested. This, it is surmised, may be due to an extension in the length of credit being given to customers. It has been noted in the past that credit periods are inclined to stretch during spells of high activity such as the one the furniture trade is at present enjoying.

The Council points out that the members taking part in the scheme are responsible for 10 per cent of the industry's total turnover but that representation as among large, medium and small firms is not proportionate. There are too many medium-sized firms included in the sample or, it would be better to say, too few large and small firms.

Accommodation to Let

NEARLY five million tenants live today in rent-controlled property; of these, three-quarters are paying a net rent of less than £1 per week. In view of the Conservative Party's pre-election pledge to take no further action to de-control rents, this state of affairs is likely to last some years yet. Its consequences, states Mr Macrae in the recently published second Hobart Paper of the Institute of Economic Affairs,¹ are serious both for the individual and the community for, he asserts, this 'regrettable and expedient' pre-election pledge leads to landlords subsidizing tenants more affluent than themselves; it encourages elderly and retired members of the community to remain in central urban accommodation far too large for their present needs, while the younger generation commutes at great expense of time and money from the outer fringes. Much of the controlled property is over 75 years old and is largely concentrated in the inner parts of the great cities. Since the rents are

¹ *To Let?* by Norman Macrae. Hobart Paper 2. Barrie & Rockcliff, London. 3s 6d net.

inadequate to meet the costs of full repair, new slum areas are developing within the towns while the local authorities build new and expensive properties outside those same towns.

According to Mr Macrae, the most satisfactory solution to this state of affairs would be the freeing of all rents, leaving market forces to determine the allocation of property at rentals adequate for its maintenance and compatible with present day incomes. The author argues that the working com-

munity will want to take part of its higher living standards in better housing and it will be prepared to pay for it. As a temporary *ad hoc* measure, he suggests that the Government should introduce special investment allowances to encourage private developers to pull down old urban property and replace it with new style living accommodation to be let at economic rentals. Mr Macrae does not meet all the problems of current housing conditions, but he stimulates thought and that after all is the main object of such exercises.

This is My Life . . .

by An Industrious Accountant

CHAPTER 20

THIS morning started as a study in frustration; I felt as if my chickens were coming home to roost. Some weeks ago I had investigated our accounts payable section, where eleven clerks – including a fussy little supervisor with *pince-nez* and grey side-whiskers – and three vividly-coloured teenagers on posting machines, kept records of our purchases, creditors and payments in leisurely seclusion upstairs. It was an 'ivory tower' seldom entered or studied by outsiders.

Outwardly, it appeared perfect. The purchase journals were hand-written, massive, many-columned tomes bound in maroon leather; the invoices were stacked and indexed systematically; the paid cheques were scrutinized and sorted diligently. Even the creditors' control account was made up weekly, though of course it never agreed, nor was expected to agree, with the half-yearly balances.

The fussy supervisor showed me his masterpiece with pride: the 1915 purchase journal where, as a youth, he had made his first entries in perfect copperplate, and he apprised me of hopes to enter up the 1963 journal in similar style before he retires.

It was extremely difficult to initiate reform measures. To all suggestions, Fussy was charmingly inattentive; even my reference to loose-leaf records was countered by his severe recital of the verdict in the *Hearts of Oak* case in 1936. He proposed to maintain his system unchanged: 'a poor thing, but mine own', he described it proudly. His number two was in poor health; his number three was of only mediocre ability. Reform, if any, it was patent, must come from above – which is not the ideal route.

I didn't really like going ahead, however, in the teeth of his opposition, but I have an obstinate streak which resents being baulked. Finally I insisted: I wanted the new system tried, and relied on him to make it a success.

This system called for cheque payments against approved invoices, which would be listed only on the creditors' cards. The cheque payments book, suitably analysed, became the basic document as a result, and good-bye to creditors' ledgers and control accounts, purchase journals, two of the machines and four of the clerks. The latter would be absorbed elsewhere and ultimately a punched-card sorter would produce invaluable permutations of information now impossible to obtain. Care would be essential to obtain the approvals promptly and to list the unpaid invoices for outstanding liabilities at any date, but the new procedure would be easy and effective. Or so I hoped.

Fussy didn't like it at all. With icy reluctance he consented to try it out, against his better judgment, and his disparagement obviously affected his staff's reactions. My own patience was sorely tried but my hat was in the ring and I couldn't retract.

All was seemingly going well . . . until Fussy arrived today to apply for two additional temporary clerks. With quiet triumph he outlined the disasters: invoices approved but mislaid before payment; suppliers' statements unreconciled; accounts paid twice owing to adjustments for discounts. Anyhow it was a cumbersome system, necessitating constant reference back, and the work was falling behind. Then the Parthian shot: he was going on holiday on Monday and was sorry to leave things snarled up.

Well, I counted ten lest I should say what I thought, and then counted again lest I should do what I felt like doing. I bowed Fussy out politely and pondered . . . maybe he had his own side of the question? . . . had I been ham-handed? I interviewed his numbers two and three: their lack of confidence was obvious and their fear of failure was pathetic. I questioned the office manager; he had held aloof from the start and continued in like manner. (I find he's Fussy's cousin. Wheels within wheels.)

Just when hope was fading, my young cost accountant came in. Bursting with youth and zeal and energy, he was confident he could run the show with five clerks, was amused at the so-called disasters and ready to take over at once. (For this relief, much thanks.)

Now to arrange an appropriate salary increase for Costs, and a quiet sinecure to await Fussy when he returns – to last him till 1963.

Finance and Commerce

Schroders

FOR a private merchant banking house in the City of London to open its doors to the public investor is an occasion; equally so is the issue of its first accounts to the public. The company is Schroders Ltd, and its accounts form this week's reprint.

Schroders is an outstanding example of merchant-banking development that goes back to 1804 when two brothers, John Henry and John Frederick Schroder, came over from Hamburg to establish themselves as merchants in grain, coffee, tallow and other produce. Those were the days before centralized markets, when the merchant adventurer was the king-pin of international trade. Even during the Napoleonic blockade of England, the Schroders were importing grain and tallow from the Baltic and sending back coffee, sugar and other produce through Hamburg into central and western Europe.

As trade flourished and the Schroders' fortunes improved, the main emphasis of the business moved from merchanting to merchant banking. By 1817 the company was accepting bills to finance transactions of other merchants less well known to foreign shippers. By the middle of the century, it was established as one of the leading London houses engaged as merchants in importing raw materials and as bankers in offering facilities in international trade.

View on Profits

The spread of interests throughout the world brought Schroders the knowledge and appreciation of the needs of their clients for long-term capital, and from commercial banking there was a parallel movement into issuing business. In 1853, the first Schroder issue was made: a railway loan to Cuba. In 1870, Schroders issued the first Japanese loan in London; it financed the building of the first railway in Japan. In 1923, the establishment of the J. Henry Schroder Banking Corporation in New York gave direct representation in the United States.

Just over six months ago, in 1959, a public offer for sale was made of 750,000 £1 ordinary shares at 32s 6d each. At present, standing in the market at about 44s, they are valued on an approximate 2½ per cent yield basis. Mr H. W. B. Schroder, the chairman and great-grandson of the John Henry of 1804, tells shareholders that there is no profit comparison in the accounts now issued for two reasons. First, the consolidated profit and loss account deals with the profits of the company and its subsidiaries only from incorporation (September 16th, 1959) to the end of

the year and the subsidiaries' profits are only included to the extent that they are regarded as having been earned at the date of acquisition by the company.

Secondly, as he explained in the offer for sale, profits of the banking subsidiaries are shown in the accounts – in the manner authorized for banking companies – after providing for taxation and making such transfers to reserves as are considered appropriate. The profits, he says, are not, therefore, even in respect of the period September 16th, 1959, to December 31st, 1959, shown on a basis comparable to that used in paragraph 4 of the auditors' report in the offer for sale, where the profits were shown before taxation and before such transfers to reserves for contingencies.

Gamages

AN interesting angle on the handling of stock is given by Mr Eric M. Gamage, chairman of A. W. Gamage Ltd, of Holborn. In his statement with the accounts to January 31st, 1960, he refers to a quite considerable increase in expenses which has been partly offset by further improvements in the handling of goods and in the accountancy and mail order systems. The new receiving dock in Greville Street has enabled the handling of the larger incoming volume of merchandise more speedily and economically. Gamage's trading profit, before tax, rose from £388,430 to £415,771.

Mr Gamage, whose father founded the business, is very much the individualist; he wants to run his empire in Holborn, free of the big retailing groups. Being an entirely independent store, he says, 'we are not tied by merchandise rules and regulations which are typical of so many of the group organizations and as a result of the internal freedom, we are able to buy in the best possible markets and bring off deals which would not be possible were we not working entirely on our own'.

The Equity Rise

THE Stock Exchange's annual statistical exercise – *Interest and Dividends upon Securities Quoted on the Stock Exchange, London* – covers the equity boom year of 1959. The total market value of quoted securities at December 31st was £37,670 million, an appreciation of £7,000 million on the year. Excluding new issues the value of capital rose by £6,550 million and as much as £6,300 million of that increase was accounted for by the rising value of ordinary shares – a rise of 51·6 per cent on the year.

Gross dividends on shares rose from £701 million in 1958 to £787 million in 1959 – the figure in 1950, it may be noticed, was £369 million – and loan interest rose from £705 million to £756 million. It is estimated, however, that out of the gross total of £1,543 million, not more than £595 million can be deemed available for personal spending or saving.

The incidence of taxation, duplication and of institutional investment accounts for balance.

April 16th, 1960

THE
ACCOUNTANT

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SCHRODERS LIMITED
BALANCE SHEET, 31st DECEMBER, 1959

SUBSIDIARIES	£	£
Shares at cost		8,793,290
Less: Loan from a subsidiary		560,000
		<u>8,233,290</u>
CURRENT ASSETS		
Due from subsidiaries, including dividends since declared	92,268	
Less: CURRENT LIABILITIES	£	
United Kingdom taxation ..	2,400	
Creditors and accrued liabilities ..	1,156	
Proposed dividend, less income tax ..	53,866	
	<u>57,422</u>	
NET CURRENT ASSETS		34,846
NET ASSETS		<u>£8,268,136</u>

Representing:—

SHARE CAPITAL

Authorised, Issued and Fully Paid:
5,000,000 Ordinary Shares of £1 each 5,000,000

CAPITAL RESERVE

Share premium account (see note 6) 3,232,749

REVENUE RESERVE

Profit unappropriated 35,387

SHARE CAPITAL AND RESERVES £8,268,136

H. W. B. SCHRODER
GORDON RICHARDSON } Directors.

SCHRODERS LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 16th SEPTEMBER, 1959, TO 31st DECEMBER, 1959

	£
PROFIT OF THE BANKING SUBSIDIARIES	
Earned subsequent to acquisition, after providing for taxation on profits to date and transfers to reserves for contingencies, out of which reserves provision has been made for diminution in value of assets (other than United States Government securities—see note 5)	112,853
PROFIT OF SCHRODERS LIMITED AND THE NON-BANKING SUBSIDIARIES	
Earned subsequent to acquisition, after providing for taxation on profits to date (see note 3)	2,276
	<u>115,129</u>
Less: Profit attributable to outside shareholders ..	354
	<u>114,775</u>
PROFIT OF THE GROUP ATTRIBUTABLE TO SCHRODERS LIMITED	
After taxation and after transfers to reserves for contingencies	<u>£114,775</u>
APPROPRIATION OF PROFIT	£
Proposed dividend on ordinary shares at 1.7589 per cent. actual, less income tax	53,866
Profit unappropriated:	
Retained by Schroders Limited	35,387
Retained by subsidiaries	<u>25,522</u>
	60,909
	<u>£114,775</u>

SCHRODERS LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, 31st DECEMBER, 1959

SHARE CAPITAL	£	£	CURRENT ASSETS	£	£
Authorised, Issued and Fully Paid:			Cash in hand, at call and at bankers		16,726,049
5,000,000 Ordinary Shares of £1 each		5,000,000	Treasury bills		1,488,706
			Bills and notes discounted		2,343,093
CAPITAL RESERVES			Tax reserve certificates		329,000
Share premium account (see note 6)	3,232,749		Government securities of banking subsidiaries:		
Other capital reserves (see note 6)	4,247,115		British Government securities at below market value	2,755,713	
	<u>7,479,864</u>		United States Government securities at cost, less reserve (£321,428) and amortisation, (market value £24,948,367) (see note 5) ..	25,729,761	28,485,474
REVENUE RESERVES					
Schroders Limited	35,387		Loans and advances to customers and other accounts		29,613,145
Subsidiaries	25,522				
	<u>60,909</u>		INVESTMENTS		78,985,467
	12,540,773		Investments held by Schroder Investment Company Limited at cost:		
INTEREST OF OUTSIDE SHAREHOLDERS		15,486	Quoted in London (market value £650,967) ..	536,650	
			Other investments at cost, less amounts written off:		
CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS			Quoted in London (market value £69,678) ..	63,603	
Current and other accounts, including provisions for taxation on profits to date and reserves for contingencies (see notes 7 and 8)	70,012,885		Quoted overseas (market value £2,532,981) ..	2,223,811	
Proposed dividend, less income tax	53,866			2,824,064	
	<u>70,066,751</u>		Unquoted	755,836	3,579,900
ACCEPTANCES FOR CUSTOMERS		16,091,440			
			SUBSIDIARIES NOT CONSOLIDATED		
			Shares at cost, less amounts written off	63,827	
			Less: Amounts owing	6,184	
				<u>57,643</u>	
			CUSTOMERS' LIABILITIES FOR ACCEPTANCES		16,091,440
					<u>£98,714,450</u>
					<u>£98,714,450</u>

H. W. B. SCHRODER
GORDON RICHARDSON } Directors.

SCHRODERS LIMITED

NOTES ON ACCOUNTS—31st DECEMBER, 1959

1. The information given in the consolidated accounts with regard to the three banking subsidiaries, J. Henry Schroder & Co. Limited, J. Henry Schroder Banking Corporation and Schroder Trust Company, is, with the consent of the Board of Trade, included on the basis applicable to banking companies under the Companies Act, 1948.

2. The profit of Schroders Limited and the non-banking subsidiaries has been arrived at after crediting income from investments (gross) £3,646.

3. Taxation, based on the profits of the period, charged in respect of Schroders Limited and the non-banking subsidiaries was as follows:—

United Kingdom— income tax	..	..	..	..	£ 5,157
profits tax	..	..	..	..	540
United States federal income tax	..	..	..	..	509
					<u>£6,206</u>

4. The emoluments of the Directors of Schroders Limited, including remuneration in respect of subsidiaries, amounted to £11,574 (fees £1,796, other emoluments £9,778).

5. In accordance with normal United States banking practice, the United States Government securities of the two United States banking subsidiaries which are redeemable at fixed dates have not been written down to market value. £11,927,690 of these securities are redeemable on or before 31st December, 1960.

Movements on capital reserves:	Share Premium Account (Company and Group)	Other Capital Reserves (Group)
	£	£
Premium on issue of shares ..	3,281,369	—
Surplus arising on consolidation ..	—	4,257,327
	<u>3,281,369</u>	<u>4,257,327</u>
Less: Share issue and preliminary expenses	48,620	10,212
	<u>£3,232,749</u>	<u>£4,247,115</u>

7. The item in the Consolidated Balance Sheet "Current and other accounts, including provisions for taxation on profits to date and reserves for contingencies" includes £42,782 in respect of taxation of Schroders Limited and the non-banking subsidiaries made up as follows:—

Future taxation	..	..	..	..	..	£ 24,182
Current taxation	..	..	..	..	..	18,600
						<u>£42,782</u>

8. Two United States subsidiaries, in the ordinary course of their business as bankers, have pledged United States Government securities of £2,167,857 (nominal value) with the Federal Reserve Bank of New York and other regulatory authorities.

9. United States dollars in the accounts of the United States subsidiaries have been converted at \$2.80 to the £. Otherwise, foreign currencies have been converted at the rates of exchange ruling at 31st December, 1959.

10. Schroders Limited has a contingent liability in respect of the uncalled liability on the shares of a subsidiary amounting to £1,500,000. The Group has contingent liabilities in respect of forward foreign exchange contracts, confirmed credits, guarantees, bills receivable discounted, underwriting commitments and the uncalled liability on partly paid shares.

11. On the basis of tax rates now in force, additional taxes aggregating approximately £835,000 would become payable in the event of subsequent distribution out of certain of the reserves of the United States subsidiaries.

12. Certain small subsidiaries, the accounts of which have been made up to varying dates, have not been consolidated because the Directors consider that to do so would involve expense and delay out of proportion to the value to the members of the Company. The Company's proportion of the net aggregate profit of these subsidiaries is £620, all of which has been dealt with in the group accounts.

CITY NOTES

THE reassessment period in the stock markets has brought a general slackening of support for the equity markets and some stiffening of gilt-edged prices. The three main influences on the market now are the evidence that the consumer boom is slowly expending itself, that investment in industry is likely to continue to rise, and that inflation is still a danger. Under the first of these three headings the growth in hire-purchase debt seems likely to taper off and the level of debt although it may continue to rise in the next two months or so may later tend to be reduced; under the second, industry is committed to spend some £250 million more on capital account this year than last.

It is under the third heading that the greatest degree of uncertainty lies. Clearly the banks are now tending to draw in their lending horns and recognize that if that process is not developed quickly enough, they may receive a call for 'special deposits' from the Bank of England.

Bank rate must enter any consideration of the 'further measures' to which the Chancellor referred in his Budget statement, but it is appreciated that an increase in Bank rate to 6 per cent—only 1 per cent below the 1957 'crisis' level—might be construed as the use of a weapon of last resort.

RATES AND PRICES

Closing prices, Tuesday, April 12th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958.	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Feb. 5	£4 10s 10·88d%	Mar. 11	£4 11s 8·32d%
Feb. 12	£4 10s 11·00d%	Mar. 18	£4 12s 3·52d%
Feb. 19	£4 10s 10·65d%	Mar. 25	£4 12s 5·03d%
Feb. 26	£4 11s 1·07d%	April 1	£4 12s 5·05d%
Mar. 4	£4 10s 9·34d%	April 8	£4 12s 11·83d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-½	Frankfurt	11·70½-71½
Montreal	2·71½-½	Milan	1743½
Amsterdam	10·59½	Oslo	20·01½
Brussels	139·98½-½	Paris	13·77½-½
Copenhagen	19·35½-½	Zürich	12·18½

Gilt-edged

Consols 2½%	46½	Funding 4% 60-90	90½xd
Consols 4%	70½	Savings 2½% 64-67	81½xd
War Loan 3½%	62½	Savings 3% 55-65	90½
Conversion 3½%	61½	Savings 3% 60-70	79½
Conversion 3½% 1969	84½	Savings 3% 65-75	73½
Exchequer 5½% 1966	100½	Treasury 2½%	45½
Funding 3% 66-68	82½	Treasury 3½% 77-80	76
Funding 3% 59-69	80½xd	Treasury 3½% 79-81	74½
Funding 3½% 99-04	69½	Victory 4%	94½

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Westburn Sugar Refineries Ltd v. C.I.R.

In the Court of Session - March 22nd, 1960
(Before the LORD PRESIDENT (Lord CLYDE),
Lord CARMONT, Lord RUSSELL and Lord SORN)

Profits tax - Distribution - Capitalization - Revaluation of building - Surplus to capital reserve - Issue of new shares - Paid up by applying sum from capital reserve - Reduction of capital - Return to shareholders - Satisfied by shares in a subsidiary - Whether capitalization of a distributable sum - Finance Act, 1947, Section 36 (1) - Finance Act, 1951, Section 31.

The company's premises were extensively damaged by enemy action in 1941 and were reinstated. The buildings, plant and machinery were revalued in 1948, and the new value was £155,910 in excess of the book value of these assets. This sum was placed to capital reserve, and was the main item thereof.

In 1949 the company increased its capital by the creation of 152,250 ordinary shares of £1 each, and £152,250 was transferred from capital reserve to pay up the new shares, and these shares were allotted *pro rata* to the then existing holders of ordinary stock of the company.

In 1950 the company caused an investment-holding company (Lynedoch) to be incorporated, and sold to Lynedoch some investments for £60,900. This sum was satisfied as to £100 in cash and as to the balance by the allotment to the company of £60,800 in shares of 2s each in Lynedoch. Later in the same year the company's stock was converted into shares, and the capital was reduced by £60,900 by the return of 2s a share to each shareholder, satisfied by the transfer of fully-paid 2s shares in Lynedoch. This reduction of capital was confirmed.

The balance sheet value of the buildings, machinery and plant was arrived at after charging depreciation to the extent of £117,281. In the capital reserve there were items which were admittedly distributable, and which when added to the £117,281 made a total of £139,062. The total of the capital reserve was £177,690.

The appellant contended that there had been no capitalization of any distributable sum, in that what was distributed was not a sum which could be utilized in making distributions, but was merely part of an increment in the value of the fixed assets. It was contended for the respondent that the company had ample liquid assets to meet the amount capitalized, and could have utilized the capital reserve to facilitate the realization of those liquid assets for that purpose

so as to satisfy Section 31 (5) of the Finance Act, 1951, and that, therefore, the increment in the value of the fixed assets was something which could be utilized in making a distribution.

Held: (1) the argument for the Inland Revenue was not supported by Section 31 (5) of the Finance Act, 1951; (2) it would have been unlawful for the company to have distributed the sum representing the realized accretion in the value of the fixed assets; (3) (by Lord SORN) the sum representing the main proportion of the capitalized sum (£152,250) as the proportion between the depreciation (and other items) (£139,062) and the total of the capital reserve (£177,690), namely, £119,152, was a distributable sum for the purposes of Section 31.

Mitchell & Edon v. Ross

In the Court of Appeal - March 24th, 1960

(Before THE MASTER OF THE ROLLS (Lord EVERSHED),
Lord Justice PEARCE and Lord Justice HARMAN)

Income tax - Part-time specialist under National Health Service - Whether holding an office or employment - Whether exercising profession - Expenses of domiciliary visits to National Health patients - Expenses of locum tenens - Expenses incurred in lecturing - Domiciliary work in other areas - Whether expenses assessable under Schedule E - Whether expenses liable under Schedule D - Income Tax Act, 1918, Section 1, Schedule E, Rule 6 - Finance Act, 1922, Section 18 - National Health Service Act, 1946, Sections 3, 14 - Income Tax Act, 1952, Schedule D, paragraph 1 (Section 122), Section 137 (a), Schedule E, paragraphs 1, 2 (Section 156) - National Health Service (Appointment of Specialists) Regulations, 1948 (No. 1416).

The appellant held a part-time appointment under the National Health Service Act, 1946, as a consultant radiologist to the Birmingham Regional Hospital Board, and he also had private patients. In the second case heard with this case the appellant was a part-time ophthalmologist to the Board, and he also undertook lecturing work to nurses. In the third case heard with this case the appellant was a part-time pathologist to the Board. In the other two cases the appellants held part-time appointments, the one as a psychiatrist and the other as a consultant thoracic surgeon, with different regional boards, and also acted as locum tenens in respect of National Health appointments. All the appellants also had private patients.

By Section 3 (1) of the National Health Service Act, 1946, it is a duty of the Minister of Health to provide the services of specialists, whether at a hospital, a health centre, a clinic or at the home of the patient. The Minister carries out his duties by delegating to regional hospital boards, and if a specialist wishes to attend National Health patients he has to take an appointment with a regional board. He may take a whole-time or a part-time appoint-

ment, and in the latter case he agrees to work a certain number of sessions or notional half-days a week; and this matter, and also his remuneration, is provided for in a contract between himself and the board. The contract also provides for annual leave, for reimbursement of travelling expenses and for a subsistence allowance. The specialist is not subject to any control or direction as to how he should carry out his work in the sense of prescribing treatment for a particular patient. A specialist may take part-time appointments with more than one board, but a limit is placed upon the total remuneration he can receive.

The appellants incurred expenses in treating National Health patients, and claimed to be assessable under Schedule D, and to be entitled to deduct their expenses. The respondents contended that the appellants held offices or employments, and were

assessable under Schedule E, and that the expenses were not deductible.

There were also these supplementary questions: (1) whether the expenses of domiciliary visits came within Schedule D or Schedule E; (2) whether the expenses of working as a locum tenens in respect of a National Health appointment came within Schedule D or Schedule E; (3) whether fees and expenses incurred in lecturing came within the one schedule or the other; (4) whether expenses of domiciliary visits in other areas were within Schedule D or Schedule E.

Held (varying the judgment of Mr Justice Upjohn): the appellant was assessable under Schedule E in respect of the part-time appointments in the National Health Service; but his expenses were deductible in computing his professional income under Case II of Schedule D, in so far as they were not allowable in computing his Schedule E assessment.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, April 6th, 1960, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs C. Percy Barrowcliff, W. L. Barrows, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs G. F. Saunders, K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Welcome to a New Member

The President welcomed Mr David Steele, F.C.A., who was attending for the first time as a member of the Council.

Annual Report and Accounts for 1959

The annual report of the Council and the accounts of the Institute for the year 1959 were approved for issue to members of the Institute.

Banquet in Guildhall

The banquet for members of the Institute will be held in Guildhall on Monday, October 10th, 1960, and not on October 14th as previously announced. An invitation to purchase tickets will be issued to members in due course. If necessary, places will be allotted by

ballot after the closing date to be specified. Members are requested not to communicate with the Secretary on this matter until the invitation to apply has been issued.

Advertisements for Staff

A considerable number of enquiries has been received at the Institute as to the propriety of the insertion by members or their firms under their own names of Press advertisements for staff which are presented in such a manner that in giving particulars of the duties for which applicants are required the advertisements could be considered to approach closely to advertising the activities of the members or their firms.

The Council recognizes that the attraction of suitably qualified staff of necessity requires adequate description of the functions to be performed and that, particularly in times of intense competition for accountancy staff by commercial concerns, this description can only be effective in advertisements for staff if they are made in terms and printed in type which will attract the attention of appropriate applicants. At the same time the Council considers that the size of advertisements should be kept within modest dimensions and that the name and address of the member or firm should be printed in unobtrusive type. In other words the Council emphasizes that an advertisement for staff either for the member's own office or on behalf of clients should conform to professional standards of good taste and that its form and contents should not be such as to warrant a suggestion that it is a method of bringing the activities of the member or firm concerned to the notice of the public.

This statement is in amplification of the Council statement reproduced in the *Members' Handbook*, Section E 3, paragraph 1, (3) (a) and (b).

Charities Bill

A memorandum has been submitted to the Lord Chancellor on behalf of the Council drawing attention to certain matters arising on the Charities Bill.

Appointment to Committees

Mr D. Steele, F.C.A., was appointed to serve on the Articled Clerks Committee and the District Societies Committee.

Trustee Savings Banks Inspection Committee

The Council appointed Mr W. G. Densem, F.C.A., to be a member of the Trustee Savings Banks Inspection Committee for the period May 21st, 1960, to November 20th, 1961, in succession to Mr G. R. Freeman, C.B.E., F.C.A.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate examination was refused.

Registration of Articles

The Secretary reported the registration of 187 articles of clerkship during the last month, the total number since January 1st, 1960, being 672.

Fellowship

The Council acceded to applications from fifteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Admission to Membership under the Scheme of Integration

The Council acceded to an application from one member of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- Allington, Neville Sylvester Hyman; A.C.A., 1958; (S. 1955); 29 Heathfield Avenue, Wallisdown, Parkstone, near Poole, Dorset.
 Berlyn, Gerald; A.C.A., 1960; 2 Kingshold Road, Hackney, London, E9.
 Clarke, James Gordon, B.A.; A.C.A., 1952; (Clarke & Co), 117 Hagley Road, Edgbaston, Birmingham, 16.
 Cooper, Bernard Michael; A.C.A., 1957; (*D. Woolfe & Co), Lloyds Bank Chambers, 223 Edgware Road, The Hyde, London, NW9.
 §Curry, John Hunt; F.S.A.A., 1960; A.S.A.A., 1928; Cherry Tree Bungalow, Madeira Road, Colwell Bay, Freshwater, Isle of Wight.
 Gilmore, Geoffrey Frederick; A.C.A., 1960; (Gilmore & Co), 12 Walmer Gardens, Edgware, Middlesex.
 Gosling, James Norman; F.C.A., 1960; A.C.A., 1939; 61 Tilehouse Green Lane, Knowle, Solihull, Warwicks.

Grenside, John Peter; F.C.A., 1960; A.C.A., 1948; (*Peat, Marwick, Mitchell & Co), 11 Ironmonger Lane, London, EC2.
 Hill, Harold Edgar; F.C.A., 1960; A.C.A., 1936; (Collins & Collins), 19 High Street, Andover, Hants.
 Hope, Brian; A.C.A., 1959; 13 Priory Place, Doncaster.
 Kent, Frederick Charles, B.Sc.(ECON.); A.C.A., 1956; 37 Canterbury Avenue, Sidcup, Kent.
 Mead, Michael Frederick; A.C.A., 1958; (S. 1955); (E. T. Mackrill & Co), 19 College Road, Harrow-on-the-Hill, Middlesex, and at Berkhamsted.
 Meadows, Cyril George; A.C.A., 1955; (Nash & Co), Parkstile Chambers, Market Street, Kettering, Northants.
 Nowell, Herbert Anthony; A.C.A., 1957; Steam Mill Cottage, Wellow, near Bath.
 Rix, Geoffrey Philip; A.C.A., 1958; (Greene, Clements & Co), 20 Bloomsbury Square, London, WC1, and at Enfield.
 §Sapper, Peter Michael; (1958); A.S.A.A., 1957; 86 Old Fort Road, Shoreham-by-Sea, Sussex.
 Scott, Anthony Douglas; A.C.A., 1958; (S. 1957); 12 Olive Gardens, Low Fell, Gateshead, 9.
 Smith, John Wallace, B.Sc.(ECON.); A.C.A., 1960; (Arthur J. Smith & Co), 8 Kew Road, Richmond, Surrey.
 Smith, Victor; A.C.A., 1960; (Victor Smith & Co), 6 Deerhurst Road, London, NW2.
 Thorpe, Hereward; A.C.A., 1955; 35 Church Street, Pendleton, Salford, 6.
 Williams, Peter John; A.C.A., 1959; 28 Chestnut Avenue, Kenilworth, Warwicks.
 Wilson, John Ventress; A.C.A., 1957; (Hillier, Hopkins & Wright), 100 Fore Street, Hertford.

Admissions to Membership

The following were admitted to membership of the Institute:

- Birkby, John David; A.C.A., 1960; 7 Woodhall Park Grove, Stanningley, Pudsey, Yorks.
 §Bradley, Peter Rowland; A.S.A.A., 1960; Plaza de la Cebada 9, Madrid, 5, Spain.
 Bray, Michael; A.C.A., 1960; 2 Latimer Road, Cropston, Leics.
 Butler, Thomas Andrew; A.C.A., 1960; with Barker, Smiles & Co, 6 Grafton Street, London, W1.
 Crossley, Alan Stansfield; A.C.A., 1960; 297 Stand Lane, Radcliffe, Manchester.
 Fernando, Rienzi Felix Moritz; A.C.A., 1960; Agnes House, Katana, Ceylon.
 Gregg, Anthony John; A.C.A., 1960; 114 Paston Lane, Peterborough, Northants.
 Haddon, David, A.C.A., 1960; 99 Nansen Road, Leicester.
 Kercher, Peter Francis; A.C.A., 1960; 33 Potley Lane, Corsham, Wilts.
 §Langhout, Johannes; A.S.A.A., 1960; c/o University of Natal, Pietermaritzburg, South Africa.
 Marshall, John Dent; A.C.A., 1960; 35 The Grove, Marton, Middlesbrough.
 Millar, Keith Malcolm Hedley, B.A.; A.C.A., 1960; 'Langleys', Old Avenue, Weybridge, Surrey.
 Moir, Ian James; A.C.A., 1960; Lake Vyrnwy Hotel, Via Oswestry, Salop.

† Denotes member in practice.

§ Means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Rodger, Stanley, B.COM.; A.C.A., 1960; 11 Mons Avenue, Hebburn, Co. Durham.
 §Rothwell, David William; A.S.A.A., 1960; 22 Linden Road, Emmarentia Ext., Johannesburg, South Africa.
 Russell, Clifford; A.C.A., 1960; 1 Cromwell Road, Walthamstow, London, E17.
 Tedder, John Arthur; A.C.A., 1960; 66 Winkworth Road, Banstead, Surrey.

Readmission to Membership

Subject to payment of the amounts required by the Council, one former member of the Institute was readmitted to membership under clause 23 and one under bye-law 38. One application under clause 23 and one under bye-law 38 were refused.

It was reported to the Council that the following readmission, made at the Council meeting on March 2nd, 1960, subject to payment of the amount required, had become effective:

Davis, Ivor Henry, A.C.A., Engineering and Construction Ltd, Casilla 2287, Santiago, Chile.

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Lionel Walter Bodinetz to Lionel Walter Braden.
 David Martin Mehlman to David Martin Melman.
 Max Sulzbacher to Max Baker.
 Arnold Witzler to Arnold Winter.

Resignation

The Council accepted the resignation from membership of the Institute of:

Taylor, Percy Jervis, B.COM., F.C.A.; (Jervis Taylor & Co), King's House, 42 King Street West, Manchester, 3.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr James Wilfred Alabaster, F.C.A., Bognor Regis.
 " Peter Reginald Baker, A.C.A., London.
 " Francis John Bassett, F.C.A., London.
 " Arthur Bewley, F.S.A.A., Llandudno.
 " Robert Francis Bullett, F.C.A., London.
 " Frank Edwin Chapman, A.C.A., Liverpool.
 " William Ronald Coope, F.C.A., Nottingham.
 " Harold Leopold Feltham, M.M., A.C.A., Bristol.
 " Arnold Fine, A.C.A., London.
 " Percy James Goodchild, F.C.A., London.
 " Geoffrey Charles Vesper Green, F.C.A., London.
 " Sidney Philip Haynes, F.C.A., Birmingham.
 " William John Holman, F.C.A., Croydon.
 " Frederick Ernest Johnson, A.C.A., Johannesburg.
 " William Allott Johnson, F.C.A., Dewsbury.
 " Frank Ernest Cutler Jones, B.A., F.C.A., Heathfield.
 " Henry Edward Keeler, F.C.A., Weston-super-Mare.
 " Albert Ernest Lark, F.C.A., Great Yarmouth.
 " John Joseph Lawler, J.P., F.C.A., Southport.
 " Edward Stanley Little, F.C.A., Carlisle.
 " Charles Geoffrey Longmore, A.S.A.A., Cape Town.
 " James Streeter Mackenzie, A.C.A., Bath.
 " Cyril Haley Matthews, F.C.A., Yeovil.
 " Cecil Dearden Nixon, F.C.A., Addlestone.
 " Albin Tom Norris, F.S.A.A., Taunton.
 " Charles Alfred Povey, F.C.A., London.
 " George Preston, F.C.A., Coventry.
 " Thomas Ernest Rowlatt, A.C.A., Kenton.
 " Ralph Wadsworth Stamford, F.C.A., Bradford.
 " Stanley Gordon Stephens, F.C.A., London.
 " John Tattersall, F.C.A., West Kirby.
 " Harry Teale, F.C.A., West Drayton.
 " Arthur Tindale, F.C.A., Guernsey.
 " Gordon Cardin Tytheridge, T.D., F.C.A., Penzance.
 " Edward Herbert Ward, F.C.A., Birmingham.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

- Accounting for Inflation; by L. A. Wilk, F.C.A. 1960. (Sweet & Maxwell, 35s. Presented by the author.)
 Accounting Systems of Smaller Authorities: a research study; by E. G. Barrows, L. E. Holmes and others. 1960. (Institute of Municipal Treasurers, presented, 25s.)
 Accounting Trends and Techniques . . . (American Institute of Certified Public Accountants): thirteenth edition. New York. 1959.
 The Brewing Industry, 1886-1951: an economic study; by J. Vaizey. 1960. (Pitman, 30s.)
 Butterworths Costs Handbook: the Supreme Court Costs Rules, 1959; edited by B. P. Treagus and H. J. C. Rainbird. 1960. (Butterworth, 32s 6d.)
 Capital, Interest and Profits; by B. S. Keirstead. Oxford. 1959. (Basil Blackwell, 22s 6d.)
 Clerical Job Grading and Merit Rating. (Office Management Association.) 1960. (O.M.A., 35s.)
 The Criminal Prosecution in England; by P. Devlin. 1960. (O.U.P., 15s.)
 Electronic Business Machines; edited by J. H. Leveson. 1959. (Heywood, 45s.)
 Electronic Computers and their Business Applications; by A. J. Burton, A.C.A., and R. G. Mills. 1960. (Benn, 45s.)
 Group Accounts; by D. J. Bogie: second edition. 1959. (Jordan, 63s.)
 Hart's Introduction to the Law of Local Government and Administration; by W. O. Hart: sixth edition. 1957. (Butterworth, 45s.)
 Libro de Abacho . . . Qui Comenza la Nobel Opera de Arithmeticha . . . Venice. 1501. [Bound with Paxi (B.di) - Qui Comincia la Utilissima, 1503.] (N. Israel, £227 5s 7d.)
 A Manual of Foreign Exchange; by H. E. Evitt: fifth edition. 1960. (Pitman, 21s.)
 National Insurance: reprinted from . . . Halsbury's Laws of England; by the Earl of Halsbury: third edition. 1959. (Butterworth, 44s 6d.)
 The New World of Mathematics; by G. A. W. Boehm (and others). 1960. (Faber, 21s.)
 People and Productivity: a practical guide for administrators; by A. B. Waring. 1959. (British Productivity Council, 25s.)
 Progressive Filing; by G. Kahn and T. Yerian: sixth edition. New York. 1959. (McGraw-Hill, 23s.)
 Public Library Finance and Accountancy; by E. V. Corbett. 1960. (Library Association, 24s.)
 Qui Comincia la Utilissima . . . ; by Bartholomeo di Paxi. Venice. 1503. [Bound with Borghi, (P.) - Libro de Abacho, 1501.] (N. Israel, £227 5s 7d.)
 The Receiver and Manager in Possession; by A. Binnie and B. Manning, F.C.A.: fourth edition. 1960. (Gee, 21s.)
 Standard Costing; by J. Batty. 1960. (Macdonald & Evans, 25s.)
 Statistics of Sources and Uses of Finance, 1948-1958. (Organization for European Economic Co-operation.) Paris. 1959. (O.E.E.C., 15s.)
 Successful Conference and Discussion Techniques; by H. Zelko. New York. 1957. (McGraw-Hill, 29s.)
 Taxation in Western Europe: a guide for industrialists. (Federation of British Industries.) 1959. (F.B.I., 20s.)

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Dublin on Thursday, March 31st.

Attendance

Mr D. McC. Watson, *President*, in the chair; Messrs G. E. Cameron, *Vice-President*; H. E. A. Addy, John Bacon, Mervyn Bell, A. S. Boyd, G. A. P. Bryan, Frank Cleland, M. M. Connor, A. E. Dawson, J. F. Dempsey, James Graham, N. V. Hogan, G. F. Klingner, John Lowe, R. E. McClure, R. J. Neely, R. P. F. Olden and H. W. Robinson, with the *Secretary* and *Joint Secretary and Treasurer*.

An apology for absence was submitted from Mr James Walker.

Assistant Secretary

The Council appointed Mr Bernard Joseph Lynch, A.C.I.S., as Assistant Secretary of the Institute.

Fellowship

The following Associates were elected Fellows of the Institute:

Browne, Edgar (London).
Sheil, James Henry (Enniscorthy).

Associates in Practice

The following Associates were admitted to practice:

Devine, Brendan Patrick Francis (Dublin).
Fay, Desmond William James (Dublin).
Hope-Ross, Malcolm Cecil (Port of Spain).
Jenkins, Thomas Alfred (Newtownards).
Johnston, Raymond David Hallam (San Diego).
Law, David Thynne Sneddon (Port of Spain).
O'Hare, Hugh Francis (Belfast).
Ridler, Alan Sidney (Georgetown).

Membership

The following candidates were admitted to membership:

Henderson, Denis Norcott (Belfast).
Valentine, Peter Stuart Eling (Belfast).

One application for readmission to membership was refused.

Resignation

The Council accepted the resignation from membership of Norman George Chantler, Associate, Belfast.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Annual Meeting

The annual meeting of The Institute of Chartered Accountants in England and Wales will be held in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Wednesday, May 4th, 1960, at 2 p.m.

Banquet in Guildhall

Attention is directed to the announcement in the report of the April Council meeting, elsewhere in this issue, that the date of the Institute banquet in Guildhall has been changed from October 14th to Monday, October 10th.

Recruitment of Articled Clerks

Representatives of the appointments boards of most of the universities in the United Kingdom accepted an invitation to a conference at Moorgate Place on March 30th, 1960. The main features of the meeting, which was designed to provide information about the profession to those guiding undergraduates in the choice of a career, were an address by the President and a question and answer session at which the panel was composed of two Council members in practice and two in industry under the chairmanship of the Vice-President.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual general meeting and a special general meeting of The Chartered Accountants' Benevolent Association will follow the annual meeting of the Institute on May 4th.

PROFESSIONAL NOTICES

MESSRS WARE, WARD & Co, Chartered Accountants, of 7 Unity Street, College Green, Bristol, 1, and Exeter and Torquay, announce that Mr J. S. PHILLIPS, F.C.A., retired from the partnership on March 31st, 1960. Mr R. C. BASSETT, A.C.A., has been admitted into the partnership as from April 1st, 1960. The name of the firm remains unchanged.

MESSRS FITZPATRICK, GRAHAM & Co, Chartered Accountants, announce that they have reopened their office in Jamaica in association with Messrs WOOD, COSTA & HARTY, of 46 Duke Street, Kingston. The resident partners are Messrs R. C. HARTY, F.C.A., G. MARTIN, C.A., J. WHYTE, C.A., and P. G. LIDDLE, A.C.A.

MESSRS M. J. GOLDBURGH & Co, Chartered Accountants, of 15 Red Lion Square, London, WC1, announce that they have admitted into partnership Mr JAMES KIMCHE, A.C.A., and Mr MAX BAKER, A.C.A., as from March 28th, 1960. The name of the firm remains unchanged.

MESSRS EVANS, PEIRSON & Co, Chartered Accountants, of Portland House, 73 Basinghall Street, London, EC2, announce that, as from April 6th, 1960, they have admitted into partnership Mr BRIAN A. CHURCHILL, A.C.A., who has been a member of their staff for a number of years. The name of the firm remains unchanged.

MESSRS JAMES KIMCHE & Co, Chartered Accountants, announce that they have admitted into partnership Mr MURRAY J. GOLDBURGH, F.C.A., and Mr MAX BAKER, A.C.A., as from March 28th, 1960. The name of the firm remains unchanged. As from the same date, they are now practising at 15 Red Lion Square, London, WC1. (Chancery 4541-2.)

MESSRS WHITAKER, REDFEARN, PAPPIN & Co, of Bryndon House, Berry Road, Newquay, Cornwall, announce that they have admitted Mr KENNETH IVISON, A.C.A., into partnership as from April 1st, 1960.

Mr D. M. BACON, A.C.A., of 62 St James's Street, London, SW1, announces that as from April 1st, 1960, he has commenced to practise under the title of BACON & Co, Chartered Accountants, having recently relinquished his interest in the partnership of F. F. SHARLES & Co.

Appointments

Mr Gerald Stubbings, F.C.A., F.C.W.A., has been appointed a director of Newage Engineers Ltd.

Mr E. F. Snelgar, F.C.A., has been appointed a director of Sterling Poultry Products Ltd.

Mr George R. Cross, F.C.A., has been appointed deputy general manager of Docker Brothers.

Mr F. Ratcliffe, A.C.A., has been appointed a director of Winterbottom Book Cloth Co Ltd.

Mr Bernard Baker, M.A., A.C.A., has been appointed a managing director of John Baker & Bessemer Ltd.

Mr B. J. K. Bird, A.C.A., has been elected a director of George C. Kean & Co Ltd and The Stock Breeders Meat Co Ltd.

Mr K. A. B. Moore, A.C.A., has been appointed administrative director of Beecham Pharmaceuticals Ltd.

Mr George Beebee, A.C.W.A., has been appointed comptroller of the British Divisions of Yale and Towne Manufacturing Co.

FIFTY YEARS' SERVICE

The Maidstone firm of Larking & Larking, Chartered Accountants, entertained Lieut.-Col. C. Gordon Larking, C.B.E., J.P., F.C.A., on April 1st, to celebrate his fifty years' service with the firm. His brother, Mr Roland C. Larking, F.C.A., senior partner, took the chair and the toast to Col. Larking was proposed by Mr A. L. Goate, F.C.A., a former partner and a director of Rootes Motors Ltd.

Col. Larking served in both World Wars and is an Alderman, Freeman and past Mayor of the Borough of Maidstone.

CENTRAL LONDON DISCUSSION GROUP

The next meeting of the Central London Discussion Group of The London and District Society of Chartered Accountants will be held at *The Princess Louise*, 208-9 High Holborn, London, WC1, next Thursday at 6 for 6.30 p.m. The subject for discussion will be 'The Budget' and will be introduced by Mr M. Striker, B.SC.(ECON), F.C.A.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will be held at *The Russell Hotel*, Russell Square, London, WC1, on Wednesday next, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'What would you do, chum?' (members' problems). The discussion will be led by the chairman, Mr H. A. Astbury, F.C.A.

READING & DISTRICT GROUP

The annual luncheon of the Reading and District Group of Chartered Accountants will be held on Friday, April 22nd, at 1 p.m., at *The Caversham Bridge Hotel*. The principal guest will be Mr Peter Emery, M.P.

THE ASSOCIATION OF ENGLISH CHARTERED ACCOUNTANTS IN SCOTLAND

The second annual general meeting of The Association of English Chartered Accountants in Scotland was held in Edinburgh on March 19th.

Mr M. G. Wittet, F.C.A., the chairman, reported on the Association's activities during the year. He spoke with appreciation of the facilities extended to members by the Scottish Institute, which included membership of student societies and local discussion groups and the use of the libraries in Edinburgh, Glasgow and Aberdeen, and the hospitality he had received from the Associations of Scottish Chartered Accountants in London and in Birmingham.

The following officers and executive committee were elected to serve in 1960:

Messrs M. G. Wittet, F.C.A., *Chairman*, A. Adamson, A.C.A., H. C. Clarke, F.C.A., C. F. Cross-Rudkin, F.C.A., G. W. Fletcher, N. H. Macdonald, F.C.A., Miss D. M. Vaughan, B.A., F.C.A., *Secretary*, 108 Hanover Street, Edinburgh, 2, Mr K. E. Young, F.C.A.

Mr W. T. Riddle, M.A., F.C.A., was reappointed honorary auditor.

Following the meeting, members saw the Unilever film 'The electronic computer in commerce'.

ECONOMIC CONDITIONS IN ITALY

A further booklet in the 1960 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation has recently been issued covering Italy. Copies of the booklet are available from H.M. Stationery Office, price 2s 6d.

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

I.C.W.A. LUNCHEON IN MANCHESTER

The North Western chairmen of all three nationalized fuel industries – coal, gas and electricity – were among the guests at a luncheon given by Mr Edward Emmerson, F.C.A., F.C.W.A., President of The Institute of Cost and Works Accountants, at *The Midland Hotel*, Manchester, on March 22nd.

Also present were: Mr R. J. Forbes *Regional Controller, Board of Trade*; Mr S. G. Joy (*Director and General Manager, A. V. Roe & Co Ltd*); Mr James Borsay, F.C.W.A.; Mr Harold Smith, F.C.W.A.; Mr L. W. Seddon, F.C.W.A., and Mr A. Marshall, F.C.W.A. (*President of the Manchester and District Branch of the Institute*).

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND**List of Members**

The *List of Members* of The Institute of Chartered Accountants in Ireland, now published, shows that membership of the Institute at December 31st, 1959, numbered 1,569 – an increase of seventy-six since the last published figures in August 1958.

An analysis of the membership is given below:

	<i>Members in Ireland</i>	<i>Members not in Ireland</i>
Fellows in practice	259	11
Fellows not in practice	12	12
Associates in practice	177	16
Associates not in practice	809	273
	<u>1,257</u>	<u>312</u>
Total membership	1,569	

The new book, which extends to 126 pages, contains the usual alphabetical and topographical lists of members, together with the names of members of the Council of the Institute for 1958–59.

BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

The fifty-third annual general meeting of The Belfast Society of Chartered Accountants was held at *The Wellington Park Hotel*, Belfast, on March 28th, presided over by Mr John Mulholland, F.C.A., Chairman of the Society.

In his address, Mr Mulholland stated that it was most gratifying to note that the membership of the Society had increased in 1959 by forty-one members, making a total of 753, of which 297 were students. With regard to the student membership, he said that it was still difficult to attract the right type of articled pupil in sufficient numbers.

The Society's report for 1959, presented at the meeting, is a record of another successful year for the Society. Numerous meetings were held and other activities included a dinner dance for members and their guests and the annual golf meeting at the Royal Belfast Golf Club.

The Industrial and Administrative Group had a particularly successful year, adding twenty names to their list of members.

Membership of the Students' Group again increased and the average attendance at meetings improved compared with the previous year.

The following officers were elected for the year 1960–61:

Chairman: Mr T. D. Lorimer, F.C.A.

Vice-Chairman: Mr D. H. Templeton, F.C.A.

Hon. Secretary: Mr D. M. Foster, F.C.A., Callender House, 6 Callender Street, Belfast, 1.

Hon. Treasurer: Mr N. G. White, F.C.A.

Hon. Auditor: Mr N. W. Allen, F.C.A.

Elected to Committee in place of retiring members: Messrs H. F. Bell, F.C.A., J. D. Radcliffe, F.C.A., W. H. Smyth, Jun., F.C.A.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Tuesday: Visit to Ford Motor Works (limited number).

Wednesday: Demonstration of Underwood Accounting Machines (limited number).

7.30 p.m. at Westcliff-on-Sea: Lecture on 'The money market'.

Thursday, 7 p.m. at Reading: Talk by Mr E. Kenneth Wright, M.A., F.C.A. (Vice-President of the Students' Society), followed by the annual general meeting of the Reading Branch.

'59 Club' theatre party.

THE OXFORD CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The 1959 report of the committee of The Oxford Chartered Accountant Students' Society shows that membership at the year-end was 115, an increase of seven over the previous year's total.

A series of seven lecture meetings was held during the year, and pre-examination courses for Intermediate and Final students took place in April and October. Twenty members of the Society attended the London Students' Society's residential course at Balliol College, Oxford, in the autumn. The annual dance was attended by over 200 members and guests.

The following officers and committee have been elected for the ensuing year.

President: Mr F. G. Harris, F.C.A.

Vice-President: Mr O. B. T. Bennett, F.C.A.

Hon. Secretary: Mr R. H. Hill, c/o Critchley, Ward & Pigott, Boswell House, Broad Street, Oxford.

Hon. Assistant Secretary: Mr J. A. Kingham.

Hon. Treasurer: Mr J. M. S. Newbould.

Hon. Librarian: Mr R. R. Stand.

Hon. Auditors: Messrs G. B. Watson, F.C.A., and D. E. Wilkins.

Committee: Messrs A. H. Kirkman, F.C.A., J. F. Ray, F.C.A., J. H. Starmer-Smith, A. Woodward, D. E. Mitchell, and J. A. C. Offer.

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COURSE ON FINANCIAL TECHNIQUES

'Financial techniques for management' is the subject of a two-day course to be held at *The Piccadilly Hotel*, London, W1, on April 27th and 28th. The course is designed to illustrate the application of certain financial techniques including profitability ratios, movement of funds and return on capital expenditure. Speakers will be Mr Arthur W. H. Lamond, B.L., C.A., F.O.M.A., M.B.I.M., and Dr James M. S. Risk, B.COM., PH.D., F.B.I.M. Further details are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

PRE-EXAMINATION COURSES

Two three-day pre-examination courses for Intermediate and Final students are to be held during May by Slough College of Further Education.

The courses embrace lectures on accounting, auditing, law, executorship, economics, costing and taxation,

together with discussion and practical work periods. Lectures on the evolution of modern industrial organization and management are available as alternative subjects for students of The Institute of Cost and Works Accountants.

The course for Intermediate students will be from May 5th to 7th and that for Final students from May 12th to 14th. Both courses commence at 9.30 a.m. and continue until early evening.

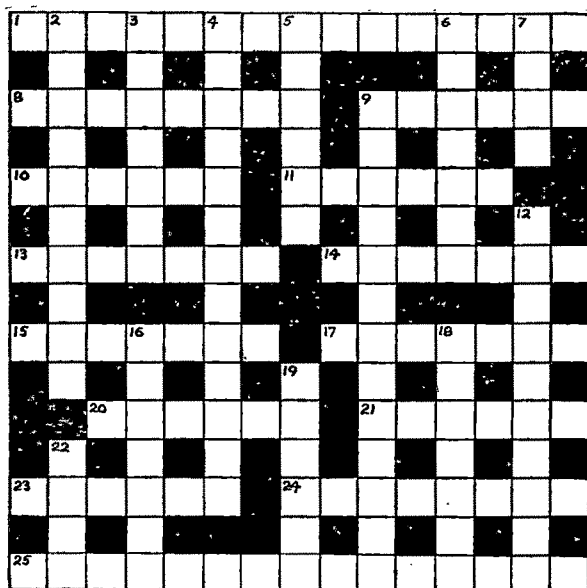
Further particulars may be obtained from The College of Further Education, William Street, Slough.

INSTITUTE OF ACTUARIES

An ordinary general meeting of the Institute of Actuaries will be held in Staple Inn Hall, on Monday, April 25th, at 5 p.m., when a paper by Messrs D. Weaver, F.I.A., F.S.S., F.I.S., and B. G. N. Fowler, B.SC., F.I.A., F.S.S., entitled 'The assessment of industrial ordinary shares', will be submitted.

ACCOUNTANTS' CROSSWORD

Compiled by Kenneth Trickett, F.C.A.

**ACROSS**

1. Oral instructions of sister vessel at view blurred badly (11, 4).
8. Separate area within jurisdiction of General Commissioners (8).

9. Customer: there would have to be more than one to provide 14 (6).
10. Administer - at twenty-one? (6).
11. It might have a clog on it (6).
13. Plea of French thief (7).
14. It regulates the ink flow (7).
15. Building mentioned in Section 271, Income Tax Act, 1952 (7).
17. Parenthetic income group (7).
20. One was set up by the Secretary of State with effect as from January 1st, 1951 (Section 383, Income Tax Act, 1952) (6).
21. Transfer (6).
23. Productive company? (6).
24. . . . whether civil, judicial, —, ecclesiastical, commissary . . . (Section 10, Income Tax Act, 1952) (8).
25. An example of legal 5 (3, 8, 4).

DOWN

2. Such relief may be given under Section 348, Income Tax Act, 1952 (10).
3. Tobacco in a general sense includes this currency (7).
4. Electricity tariff? (6-7).
5. Sensitive offer for fuel (6).
6. Inscribed as No. 10 in the file of legal documents (7).
7. 9 across has given up 101 for a season (4).
9. Neutralization suggesting a bargain sale, and necessary when verifying 'cash in hand' (13).
12. He usually has no capital (4-6).
16. They are passed just before pay day (7).
18. Transmit, with notice (7).
19. A propeller, possibly (6).
22. Allowance arising out of change of rate (4).

The solution will be published in next week's issue.

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THE ACCOUNTANT

ESTABLISHED 1874

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A Year of Progress

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THE 1959 report of the Council of The Institute of Chartered Accountants in England and Wales is another instalment in the history of its progress. It also reflects much of what is happening in the accountancy profession at large and, because of this, we are pleased to be able to reproduce elsewhere in this issue such an impressive record of a year of unremitting endeavour.

In numbers, the Institute continues to go from strength to strength. The membership total at January 1st, 1959, was augmented by 1,198 in the course of the year to 32,579. Essential to the maintenance of membership levels is an adequacy of articulated clerks and the intake in 1959 of 2,680 (twenty more than in 1958) ensures, as it were, the succession provided, in turn, that the examination results continue to be satisfactory. Of the 3,413 candidates for the Institute's Intermediate examination, the 1,588 successes represent a percentage pass of 47. In the Institute's Final examination, 1,185 out of 2,548 or 47 per cent passed. A remarkable feature of the examination results is their consistency. In the five years to 1959, the Intermediate examination percentage passes have been 49, 49, 49, 47 and 47 and, in the Final examination, 47, 42, 46, 49 and 47. Except for the 1956 Final examination, a margin of 3 per cent covers the lot. It is evident from the Council's report that every effort is being made to bring the Institute favourably to the notice of those schools and university authorities responsible for starting their charges off in suitable careers.

Due mainly to increased revenues from membership subscriptions (£217,007 for 1959 as compared with £130,910 for 1958) resulting from the new rates which became effective on January 1st, 1959, but also, in part, to a reduction (from £37,476 to £9,687) of expenditure in connection with the production of the *Members' Handbook*, the Council has succeeded in 1959 in turning the previous year's deficit of £63,609 on income and expenditure account into a handsome surplus of £52,862. This amount, together with net receipts of £113,086 from the liquidators of The Society of Incorporated Accountants, less two comparatively small debits totalling £3,726, swells the accumulated fund from £112,739 at the end of 1958 to £274,961. It sounds a substantial sum but it represents, on the stated book values, less than £9 per member.

The *Members' Handbook*, in the short space of eighteen months, has already established itself as an indispensable work of reference. The chief addition to it during 1959 was Recommendation 21, entitled 'Retirement Benefits' and dealing with

the form of accounts of pension schemes and the treatment of the relevant entries in the books of the employers sponsoring them. As the Council points out, the *Handbook* is still far from complete and, with new material always being added and existing material constantly being revised, it is safe to say that, as long as the Institute retains its present positive approach to professional problems, it probably never will reach a stage of ultimate finality.

The Taxation and Research Committee, a distillation of much of the work of which finds its way into the *Members' Handbook* in the shape of recommendations and other statements, appears in no way to have diminished its activities during 1959. Jointly and severally (by way of subcommittees) its members held seventy-eight meetings as against sixty-seven the year before. Two other committees of which great things are expected are those on Education and Training and on Technical Activities. The first of these, established in August 1958, is now collecting evidence for a report on the methods of education and training most appropriate to entrants to the profession. The task of the second, set up last November, is 'to review the whole question of the Institute's activities in the technical field' and, afterwards, to report on objectives and how best they may be achieved and the associated problems of staff and office accommodation.

The Institute is now such a vast organization that the maintenance of corporate activities through the media of district societies and summer courses is becoming more essential than ever. It is good to note, therefore, that the system of grants to district societies has been revised and that it will be further reviewed in 1962. In addition to this financial stimulus, the presence of the PRESIDENT and members of the Council and Institute senior staff at the chain of annual dinners and other functions is a powerful influence for good in that it promotes the personal exchange of ideas and opinions. So, too, in ideal surroundings, does the summer course at Oxford, and it is encouraging that the 1959 assembly did not suffer as a result of having to diffuse itself over two colleges instead of one. Because of the usefulness of all such gatherings, it is a matter for regret that the projected autumn meeting at Blackpool last October had to be cancelled through lack of support and it is to be

hoped that the Council's search for a formula for an alternative type of meeting 'attractive and useful, particularly to the younger members of the Institute' will be successful.

As well as strengthening internal ties with its district societies, the Council has also in 1959 furthered its good relations externally with other accountancy bodies, not only in this country but at the other end of the earth when, for example, the Institute was represented at the recent golden jubilee celebrations of The New Zealand Society of Accountants. The Council continues to be vigilant on all matters concerning practice rights overseas and reaffirms its belief that there should be no barriers for the properly trained accountant who wishes to follow his calling in whatever part of the world he chooses.

It is appropriate that the Council should head a section of its report 'National public service' and, year by year, the names of members who have accepted positions of national importance seem to multiply. Among the diverse tasks being tackled by committees to which members of the Institute have been appointed are the investigation of the Nigerian coal industry, the consideration of a levy on betting on horse-races and advising on awards to inventors whose original designs have led to the development of humane traps.

Two property problems were solved during 1959, one finally and the other for the time being. Incorporated Accountants' Hall was sold for £168,000 and a lease of a suite of offices at 55 Moorgate was taken at the end of the year. The Council states that the long-term question of accommodation remains. Despite transitional difficulties, however, the secretariat seems still to function with an unshakeable smoothness and calm, and there must be few more pleasant oases in the centre of the City of London than the library and members' room at Moorgate Place, both happily left undisturbed by the recent office orientation – or should it be occidentation? – to the opposite side of Moorgate.

One final indication of the wide range of the Institute's interests is to be found in the appendix to the Council's report and accounts. This section contains, among other items, official statements made and memoranda of evidence submitted during the year. In 1958 it ran to thirty-three closely printed pages; in 1959 it covers fifty-five pages.

The Estate Budget

by D. E. BOSTOCK-SMITH, F.C.A.,
Internal Auditor, The National Trust

FROM the windows of his office the agent sees a wide vista of farms, houses and cottages. He knows that the amount which could be spent to advantage on maintenance is almost unlimited; but because funds are never unlimited he has to prepare a budget for the forthcoming year. Being a conscientious man, he sets out to do the job thoroughly. For weeks on end he tours the farms, deciding which buildings urgently require attention. He surveys houses with a sharp, experienced eye, and the village cottages are also subjected to his scrutiny; bulging walls, tattered roofs, blistering paint—nothing escapes him.

Back at the office he re-examines his notes. This roof will probably last two more years; a prop against that wall will defer rebuilding indefinitely. Ruthlessly, he prunes the list, values each job, and arrives at the total cost.

Second Thoughts

At this stage, however, he may have second thoughts. He remembers that last year four roofs—all regarded as sound—were torn off by gales, while four others which had been rickety and moss-encrusted for years had survived. How can one decide, twelve months ahead, what *will* be urgent? All elderly houses welcome some kind of maintenance work, so the budget tends to be little more than a statement of intention.

Now the agent tests his budget. He knows his labour force and he knows they will consume a certain amount of material. On this basis he draws up what, in effect, is an accounting budget. Beginning with labour, it is necessary to allow for overtime, piece-work and other bonuses. They add substantially to the wage bill and it is advisable to analyse the current year's labour costs as a guide.

Next is added the appropriate figure for materials calculated as a percentage of labour. But we must not forget the oddities, such as the thatcher, the plumber, casual labour, pensioners, draughtsmen and many others. Those should be dealt with first, lest any be overlooked or underestimated; then we return to calculating the cost of materials. What, however, is meant by 'materials'?

'Defining Materials'

Trees go into the sawmill, emerging as planks. Planks go into the carpenter's shop and emerge as gates. Gates go into the maintenance stores, later to emerge on a lorry, bound for Heatherbell Farm. At what stage is the timber regarded as 'materials' and therefore part of the overall percentage to be added to labour costs?

On balance, it seems best to define materials as anything purchased for the maintenance stores (or direct for the job), and also any *final* product of the sawmill or carpenter's shop. In this case, the gate is a final product of the carpenter's shop and whether or not it goes into the stores, it will be issued as 'materials' to the job in hand. Therefore, when compiling the schedule of labour one should ignore any labour charged to the sawmill and carpenter's shop as this is part of the manufacturing cost of 'materials'.

Having established what is meant by 'labour' and 'materials', and having calculated the figure for labour, we have to determine the percentage for materials. What is a reasonable rate?

Ignore published figures except in so far as they indicate trends. It is better to examine the actual results of the particular estate for a year and take this as a guide. If improvements have been carried out during the test year, these figures should be extracted separately. Materials for improvements may be anything up to 150 per cent of labour, if cookers, electric water-heaters and such-like apparatus are installed. For maintenance work the figures are likely to be a minimum of 40 per cent rising to 70 per cent. So, before deciding on a percentage, it is necessary to consider the kind of work which will figure most prominently. Here, the original statement of intention will be a guide. For example, exterior painting with good quality paint may involve more than 60 per cent; a gallon of paint costing nearly £3 takes a relatively short time to apply.

With reliable totals of labour and materials, together with the cost of direct contracts and sundry small payments, and overheads such as rates and electricity, a complete budget can be built up.

Assuming we arrive at a total of £20,000, whereas our original statement of intention envisaged only £12,000 of specified work, the

agent's judgement again comes into play. He may decide he really can dispense with some of his staff; he may have underestimated costs of specified work; or, on reflection, he may decide that 'incidental' work inevitably arises, like the odd items that creep into any household account. Somehow he has to bridge the gap, and there we will leave him to his unenviable task.

Comparing Results with the Budget

Budgets are pretty useless unless they are reasonably fulfilled; and there is little point in waiting until the end of the year and then holding up one's hands in horror. Interim figures can be a guide to progress – rake's or pilgrim's!

Roughly speaking, expenditure should be comparable with the budget on a time basis, but of course there are numerous provisos. But first let us dispose of a 'red herring'.

Admittedly, the period of time is of little consequence in dealing with a single property, where the whole of the repairs for the year may be executed in the first week. But an estate of several hundred houses and cottages spreads the effect quite adequately, particularly where most of the work is carried out by direct labour; and we may therefore look to the periodical totals quite confidently.

Allowance must, however, be made for half-yearly rates, interest payments, depreciation and other periodical charges. One method is to ignore overheads for comparative purposes in both the budget and the current expenditure. This leaves only the variables for comparison and normally works quite satisfactorily. The disadvantage is that if the *overheads* prove to be adrift, the item does not come to light until the end of the year.

The alternative is to keep a list of the overheads and strike them off as they are paid. When making comparisons one takes the total accumulated expenditure to date, adding overheads as estimated for the rest of the year and comparing the result with the annual budget. The difference represents a residue which can be safely spent on variables during the remainder of the year, and this is the figure the agent watches with close attention. If overheads vary, an adjustment can be made in the calculation.

Example

Annual budget of £20,000 includes the following overheads:

Rates	..	..	..	£ 500
Interest	..	..	..	1,000
Depreciation	..	..	..	300
Total	..	..	..	<u>£1,800</u>

At June 30th actual expenditure totals £9,600 (slightly less than half the annual budget). Half the rates have been paid, but owing to reassessments these amounted to £350.

Calculation:

Actual expenditure as above	..	..	£ 9,600
Add Overheads for remainder of year:			
Interest	..	..	1,000
Depreciation	..	..	300
Rates (2nd inst.)	..	..	350
			<u>11,250</u>
Annual budget	..	..	20,000
Residue of variables	..	..	<u>£8,750</u>

Forecast: The variables for the first half-year amounted to £9,600 less rates £350 = £9,250. Assuming expenditure continues at this rate the second half-year will also involve expenditure of £9,250, being £500 in excess of 'residue' above. (Time to draw in your horns!)

Proof:

Rates: Actual	..	..	..	£ 700	£
Budget	..	..	..	500	
				<u>200</u>	
Variables: Actual (2 × £9,250)	..	..	..	18,500	
Budget	..	..	..	18,200	
				<u>300</u>	
				Overspending	<u>£500</u>

This last method, therefore, takes care of most eventualities, and only takes a few minutes' calculation.

Graphs are an interesting and useful adjunct. They should be hung in a prominent position and should always be so designed that the lines go upwards – nobody ever reads the explanatory notes!

Smaller Estates

It is sometimes held that estate estimates – apart from estimates of income – are inevitably unreliable. 'Acts of God' decide many an issue and refuse to be bound by any economic law: storm and tempest, Government policy, difficult tenants, birth, marriage, and death, all play their part. Their influence is considerable on a small estate, though diminishing in inverse proportion to the size of the estate. Many landowners may prefer to set aside a reasonable proportion of income each year for interest on capital and be content if the accumulated revenue account remains in credit, rather than maintain the detailed records on which a budget depends.

Running the Smaller Office

I—STARTING ON THE RIGHT LINES

by An O. & M. ADVISER

MOST office procedures have grown up over a long period of time as the result of their having been inherited from someone else or because they have had bits added to them and bits taken off them as the need has arisen. This is true of offices irrespective of their size. Very few clerical methods have had the glaring light of an objective appraisal shone on them.

There are exceptions, of course, but generally only large organizations which have already used scientific or systematic methods of planning factory routines have, in the end, applied the same techniques to the office. The only notable exception to this generalization is in matters strictly related to accounting where the requirements of law and high professional standards have imposed an acceptance of systematic recording and presentation of documents.

The 'Old Shoe' Attitude

The small office is particularly vulnerable to unsystematic working. How small 'small' may be is perhaps a matter of dispute but for the purpose of this series of articles it can be taken as anywhere between five and fifty employees doing some form of clerical work below managerial or professional level. In many such organizations office procedure is like an old shoe. It is not discarded because it is comfortable.

There is a good deal to be said for the old shoe attitude. The most efficient road to travel, whether it be by car or bits of paper, is the one you know. Well-known ways of doing clerical jobs are not to be indiscriminately swept away and replaced by some new fangled machine or 'scientific' method gleaned from a new textbook without a good deal of thought.

Having said that, however, it is equally fair to say that there are many offices where routines could be usefully challenged by an objective attitude, not least where inefficient methods hide behind what claim to be, but which are definitely not, professional habits of working. We all hug our chains, but none more than senior clerks who may, over the years, have built into their indispensability a complete imperviousness to change and a watertight technique of resisting it.

The textbooks say that the correct way to over-

haul one's office methods is to have a completely detached, scientific attitude and to challenge by a systematic cross-examination of personnel every method, every piece of paper and every human activity in the office. This is the famous 'why, where, when, what, how, who' investigational style of work study.

The method of the textbooks is correct and should always be recommended for organizations which can afford both money and time to do it either by their own staff or by consultants brought in for the job. But the small office often has neither the funds nor the time for such a sweeping undertaking. In such cases half a cake is better than none and what follows is for the small set-up which has limited resources, no likelihood of having an organization and methods department in the near future and yet wants to have a try.

There are three opening moves to be made. The first of these is to tell the staff that you are going to undertake an investigation over a period of time, that you will need their help and that the object is to find better ways of doing things to help not only the overall efficiency of the office but to assist them also in their jobs. The second move is to collect a full set of all forms, sizes of stationery and types of letter heading in the organization. This in itself will often be a rewarding and chastening experience. The third is to know where to look for improvements.

Dark Corners

Different kinds of offices have different types of dark administrative corners but there are a number of general favourites for an opening series of investigations. The first of these is invoicing and related procedures which tend to be cumbersome, over-supplied with carbon copies and with too many of them filed by different sections or departments. The second place to look is statistical returns. Many firms have let temporary statistical returns become permanent; they do not allow statistics to come as the offshoot of other work and fail to let certain information be recorded by variations or differences.

The third candidate is pay-roll procedure which is often highlighted by tax calculation drudgery. Approach mechanization with care

and do not despise simple ready reckoners. There are circumstances where these will be more gratefully received by a small staff than a gleaming new machine. A fourth dark corner can be accounts payable where there may be scope for marrying documents such as purchase requisitions, copies of orders, goods received notes and invoices. Finally, there are control records for small stores which are often duplicated and could be issued centrally on an imprest basis.

When the time comes for systematically cross-questioning personnel about how they do jobs and why, it is best to take full notes, making sure

that people tell you what happens and not what they want you to think happens. Having got a coherent and detailed account committed to paper it may help you to draw a chart of the flow of paper between individuals and departments. Charts are useful aids to good notes; they can be abused as a technique, however. Common sense and methodical thinking will often tell one when to use a chart and what kind to draw, but if there is any confusion about it the best way out is to consult an O. & M. textbook on the subject as to when to use a 'procedure chart' and a 'flow process chart' in their various forms.

Ethics for the Accountant in Practice

by Sir THOMAS ROBSON, M.B.E., F.C.A.

THE fact that my subject is 'Ethics for the accountant in practice' does not imply any absence of regard for the ethics of the article clerk or the accountant in industry but merely recognizes that for reasons of time those subjects must be left for someone else to discuss.

Meaning of Ethics

Ethics for the accountant in practice are the concern of every one of us, signifying as they do the standards of professional conduct to which it is essential that a practising member of the Institute shall conform in his relations with his clients and other members of the public, with the fellow members of his profession both inside and outside the Institute, and with the Institute itself. It is on the conformity of practising members of the Institute with the highest standards in these relationships that the prestige and reputation of the Institute depend, just as much as on the high standards of technical competence and skill which successive generations of its members have maintained.

It is important that article clerk and other members of the practising accountant's staff should be guided by these standards, as this will largely determine the reputation of their principal. Moreover, in complying during articles with the highest standards of conduct for the accountant in practice, the article clerk will be laying the foundations of his own future conduct when he becomes

a member of the Institute. This will help him to do the right thing when he meets ethical difficulties in the course of his duties in his later professional life.

In some countries an endeavour has been made to reduce professional ethics to a formal written code.

In our Institute, following the example of the British constitution, we have steadfastly refused to formulate an all-embracing list of regulations. We believe that a sense of personal responsibility and a highly developed conscience are much more important, and, indeed, that membership of a profession implies the obligation to have such a sense and such a conscience.

We have no formal written code, but we are not without broad principles of conduct which are binding upon every one of us and go a long way in helping us to know the right course to take in a particular situation. If, having done our best to make up our minds, we are still in doubt, we can use the facilities available within the Institute for our assistance.

The Secretary of the Institute is always ready to give us guidance or to obtain advice for us on points of difficulty from the Investigation Committee. When we have obtained that advice the choice of the course of conduct to be followed must be our own.

Basic Principles

It seems to me that there are three basic principles



Sir Thomas Robson

of conduct for the accountant in practice. The first is that the member must be honest with himself and with others, a man of integrity, character and common sense. The second, of equal importance, is that he should do unto others as he would that they should do to him. The third is that he should do all that he can to maintain the esteem and respect in which his profession is held by the public.

The first rule is of obvious importance. If we are to be the trusted advisers of our clients and if we are to be the impartial auditors who examine directors' accounts for shareholders or prospective investors as independent scrutineers, we must both be and act as men of integrity and high moral character and be honest, truthful and self-reliant, of balanced judgment and independent mind. Even if it be to our own disadvantage or that of our clients, we must be prepared at the appropriate time to state the truth as we see it; we must not let fear of the consequences deter us from doing our honest duty.

The chartered accountant must not certify or sign something which he does not believe to be true. He must not allow himself to believe something to be true unless and until he has obtained adequate and proper evidence, weighed it duly in the balance and found on adequate and proper grounds that it justifies his finding. In deciding whether any particular thing is true or false he must try to put himself in the position of an intelligent reader who is without inside information and see whether such a person would be likely to be misled. Clever combinations of words which are literally correct but convey a misleading significance to an intelligent reader should be avoided.

The second rule that we should do to others as we would be done by applies perhaps more to relations with other members of our profession than to those with the public and our clients, though it applies also to these. As regards fellow members of the profession, the rule applies whether the other party is a member of the Institute or another recognized body or is not a member of any recognized body. The reason for the existence of this rule in a profession which prides itself on fair dealing and honest judgments needs little explanation or amplification in an audience such as this.

As for the third of the basic principles, we all want our profession to retain the confidence of its clients and of the general public, won over many years by the integrity and competence of our predecessors. The maintenance of that confidence depends on us. In the moral sense the Institute is not something apart from those who comprise it. Its reputation and the reputation of the qualification which it confers depend upon the character, competence and reputation of its individual members throughout the world, whether they are in public practice or in industry. We must give to it all of these qualities we can supply and so justify the confidence which the public has learned by long experience of our predecessors to repose in persons who bear the name of chartered accountant.

This is our plain duty and we must do it to the best of our ability.

In doing it we should be positive and constructive in our attitude, doing instinctively what is right and good in applying the basic principles which I have mentioned rather than merely refraining from something which may be wrong or shady. We shall need advice from time to time on matters of doubt and, as I have said, we can obtain this through the machinery of the Institute; but the decision we make after taking advice is our and ours is the responsibility for it. My own experience suggests that when one is doubtful about a line of action it is generally better to take another course.

Written Ethical Requirements

I have said that our Institute has no formal written code. There are, however, a modest number of provisions in the Royal Charter and bye-laws, the *Members' Handbook* and announcements by the Council, other than the findings of the Disciplinary Committee. They are readily accessible in the *Members' Handbook* of which every member has a copy and I commend them to your perusal. The basic principles to which I have referred are not stated specifically in these written authorities but they are implicit in all that is said in them and in everything that I have heard and learned from the wisdom of my elders.

The Charter says that one of the Institute's objects is to compel the observance of strict rules of conduct as a condition of membership. Its specific statement of those rules is not detailed; clause 20 contains a short list of prohibitions which it describes as fundamental rules and clause 21 indicates other offences which may render a member liable to penalties; but the statement of some of the most important of these matters can hardly be described as precise.

Specific Prohibitions

Let us now consider some of the prohibitions which are imposed on us by acceptance of the basic principles and by the terms of the written authorities which are available to us.

The most comprehensive (which, curiously enough, is not described as one of the fundamental rules) is the specific prohibition in clause 21 of the Charter against the commission of an act or default discreditable to a member. This wording affords a wide and undefined field for what may be discreditable conduct, the prohibition of which is one of the most important of the prohibitions because of the substantial proportion of the complaints against members which are made under it. It is rather like the section in the Army Act which prohibits conduct to the prejudice of good order and military discipline, a description which can include most of the crimes in the calendar.

Convictions for offences against the law of the land, legal or financial incapacity arising from lunacy or

bankruptcy and the like, wilful breach of the Institute's bye-laws and failure to pay dues to the Institute, provide other specific grounds for penalties, as do infringements of the fundamental rules against the improper use of a member's name in public accountancy work which he does not control, the improper sharing of profits of or with others without consent of the client concerned, and engagement in a business or occupation inconsistent with that of a public accountant. Most of these grounds for punishment and most of the other offences with which a member can be charged, might be viewed from one angle or another as discreditable acts or defaults if they were not specifically prohibited.

A Ten-year Record

In order that my talk with you may be related to actualities and may illustrate to you the ethical problems which seem to have provided most of the pitfalls into which members of the profession have fallen in recent years, I have referred to the records of the Institute for the ten years ended with 1959. In that period, apart from cases of non-payment of dues, penalties were inflicted by the Disciplinary Committee in less than 150 cases. The average number of offences punished was thus a little over a dozen per year and this in relation to a membership which over most of the time was about 15,000-20,000 but is now more than 32,000. If we go back about thirty-five years to a time when the membership was only about 8,000 the average annual number of penalized offences was about half a dozen, proportionately somewhat higher in relation to the then membership than it has been in recent years. These numbers of penalties inflicted are no indication of the number of complaints considered by the Investigation Committee, who, after going into a matter brought to their notice or hearing the member's explanation about it, often decide not to bring a charge before the Disciplinary Committee.

There is no occasion for complacency about this record, but the Institute has cause for pride that the number of offences which have needed to be punished is so small in relation to the total membership, especially having regard to the great number of opportunities there are for wrong roads to be followed and to the rapid growth in the number of members in recent years. This small number is not due to any blindness in the eye which the Institute keeps on its members; for the Investigation Committee is jealous of the reputation of the Institute and prompt to take action if it considers that a member has offended. The small number is a tribute to the general conduct of our members and an illustration of the justification which the public have for reposing confidence in the integrity of chartered accountants.

Analysis of Penalized Offences

The offences which were found proved and punished in the ten years whose figures I extracted may roughly be divided as follows:

Convictions for failure to file with the Registrar of Companies returns as liquidator or receiver	28
Criminal offences	40
	<hr/> 68
Bankruptcy and failure to meet judgment debts	21
Misuse of the description chartered accountant	4
Advertising, solicitation and circularization ..	11
Acceptance of nomination as auditor of company without previous communication with predecessor	8
Improper basis of charge to client	2
Failure in duty to articulated clerks	4
Failure to hand over papers etc. to clients or successors and failure to reply to letters ..	22
Unwarranted signature of accounts where work not done	4
	<hr/> 144

A number of the charges under other headings were accompanied by charges of failure to reply to letters from the Institute; in some cases, several letters. For a member to ignore communications from the Institute, particularly on matters of discipline, is not merely discourteous but may be discreditable conduct laying open to penalties the member concerned.

Convictions in the Courts and Financial Failures

The sixty-eight convictions in the Courts which led to professional penalties in the Institute ranged from failures to render the returns required of a liquidator or receiver, through conviction for fare evasion on the railways, to offending against the exchange control laws, falsification of accounts and tax returns, embezzlement, stealing, misappropriation of trust moneys and other serious matters; that is, from defaults not necessarily involving dishonesty, to financial offences of the gravest character. Defaults in making returns clearly indicate a lack of a proper sense of public responsibility and the publicity given in the Press to Court convictions for such offences brings discredit not only to the member concerned but also to the name 'chartered accountant' and thus to the reputation of the Institute and its membership as a whole. This is, of course, even more so for convictions for the graver offences. No institute which seeks to advance the reputation of its qualification as a symbol of integrity, honesty and sense of public duty could ignore offences against the criminal law. We must be sorry that any such should occur, though it would be surprising indeed if a few black sheep were not to find their way into a large sheepfold like ours.

The convictions and cases of financial failure made up well over one-half of the penalties inflicted. However harsh it may seem to punish financial misfortune, it is clearly right in the public interest that a person who, by reason of bankruptcy or failure to meet a judgment debt cannot be regarded as

financially responsible, should be rendered liable to exclusion from membership of the Institute or to such lesser penalty as the Disciplinary Committee or the Appeal Committee may think appropriate in the particular circumstances.

Misuse of Description

Three out of the four cases about the misuse of the description 'chartered accountant' related to the continued use of the description by persons suspended or excluded from membership. The other concerned the misuse of the description by a mixed firm. It is provided by bye-law 47 that a firm which does not wholly consist of chartered accountants must not describe itself as such; any member who is a partner in such a firm is guilty of an offence if his firm infringes this rule. There is no objection to a member of the Institute who is a partner in such a firm having the letters 'A.C.A.' or 'F.C.A.' or the description 'chartered accountant' after his name on his firm's notepaper, but he must not allow his firm to hold itself out as a firm of chartered accountants unless all its partners are entitled to that designation.

Advertising, Solicitation and Circularization

Advertising, improper solicitation or circularization for public accountancy work accounted for eleven of the cases. Most of us would regard prohibition of this sort of activity as being a fundamental rule of the Institute. It is, however, nowhere specified in the Charter and bye-laws which appear by their very silence to take it for granted that such conduct is discreditable in a profession. It has always been so regarded by the Institute and I need hardly remind you that every week there appear on the cover of *The Accountant* and every month on the inside of the cover of *Accountancy* announcements which say:

'MEMBERS OF THE INSTITUTE ARE NOT ALLOWED TO ADVERTISE OR CIRCULARIZE FOR BUSINESS'.

The *Members' Handbook*, which every articulated clerk should study, gives some helpful pronouncements by the Council about particular ways in which an unwary member may slip into errors of this kind. The more blatant forms of advertising and solicitation are obvious enough, but inexperienced members need to be reminded that they must not announce, in the general - as distinct from the professional - Press, changes of their addresses or alterations in the constitution of their partnerships, allow their names to be printed in leaded type in directories, or use their positions as officers of a trade association as a means of advertising for or soliciting public accountancy work from members of the association who are not their clients.

The notepaper which a member uses may describe him as a chartered accountant but must not add further words indicative of the types of service which he is prepared to provide. The fact that he has made a special study of income tax or system work or of some other subject is something which he is not permitted

to indicate on his office stationery. In some countries professional accountants are permitted to insert in the newspapers what are called 'professional cards' containing the name, address and profession of the firm but no such cards are permitted by our Institute to be inserted by practitioners here.

The publication of examination results of articulated clerks in notices in the Press is frowned upon by the Council if the notices contain any element of undesirable publicity either for the articulated clerk or for his employer. This does not, however, prevent the publication of the name of the candidate, the examination in which he has been successful, and details of the prizes he has won or the place which he has gained, together with the name of his principal and that of his firm and of the town in which the principal practises.

Acceptance of Nomination as Auditor

The *Members' Handbook* also reminds members about the need to communicate with the accountant whom they are replacing before they accept nomination as auditors or professional accountants to a company, partnership or private individual. The duty to do this is not confined to appointments where the accountant to be replaced is a member of the Institute but is of general application.

Why is it that failure to perform this duty is regarded as conduct discreditable to a member? Not because the Institute thinks that once appointed a professional accountant has any prescriptive right to be continued in office in perpetuity. Far from it. Every client has the right to engage someone else as his accountant or auditor if he thinks fit. The obligation to communicate is not designed to interfere with this right unless it is being exercised in a manner contrary to the public interest.

The purpose of the inquiry is to ascertain not whether the other accountant objects to losing a client but whether there is some valid professional reason why the member invited to replace him should decline nomination. A valid professional reason could exist if the directors of a company were trying to eject and replace an auditor because on proper grounds he had taken exception to some malpractice on their part or had qualified his report on their company's accounts. In an extreme case it would clearly be right to make it difficult for directors to displace an auditor who had done his duty properly and had thereby brought something which was wrong to the notice of the shareholders.

The duty of the proposed nominee is to inquire into the circumstances of the projected change by direct approach to the auditor or professional accountant intended to be replaced. He may think he knows why it is proposed to replace the other auditor but there is no assurance that he does so unless he makes the direct approach to the auditor which the Institute requires. Once he has done this he must judge for himself on the basis of the reply to his inquiry whether he should accept the nomina-

tion. If he fails to make the inquiry he may well be held to have failed in his duty both to the public and to the fellow members of his profession – to have been guilty of a discreditable act, as were the members on whom eight of the penalties in the ten years covered by my review were inflicted.

Where there is no question of replacement but a member receives from the client of another accountant instructions to perform work which is outside the scope of the services for which the other accountant is retained, it is normally desirable as a matter of courtesy, though not obligatory, for the member to notify the other accountant unless the client advances satisfactory reasons against this course being followed. Let me repeat, however, that communication is essential in all instances where replacement is involved.

Improper Basis of Charge to Client

The Council has for many years taken a definite line about the undesirability of arrangements for fees to be arrived at as percentages of tax recovered for clients. There were only two cases in the ten years covered by my review where a member was found to have transgressed in this respect. The underlying thought is that it is undesirable for a professional man to engage himself for a client in Revenue matters in such a way that, by reason of having a direct financial interest in the result, he may cease to be able to exercise that impartial judgment in the presentation of the client's case which is essential if the position of trust which has been built up over many years as between the Inland Revenue and our profession is to be maintained. This is not in the least to suggest that exceptionally successful efforts involving special skill and assiduity do not justify special fees.

Duties to Articled Clerks

Then there were the four cases which may be of special interest to a meeting of students, namely, charges of failure in duty to articled clerks. When students enter into articles, the employer and the student bind themselves to perform certain duties to one another. This is no mere form but means what the articles say, as these cases illustrate. One of them was that of a member who discontinued his partnership but made no arrangements for securing the continuance of the training under articles of his two articled clerks. Another made an irregular arrangement whereby his articled clerk did not serve in the office of his principal; the third not only failed to see that his articled clerk performed his service under articles but issued an inaccurate certificate that the service had been performed; while the fourth failed to comply with his duty to subscribe for the articled clerk to be a member of his students' society. The Disciplinary Committee excluded the first from membership of the Institute, admonished the second and reprimanded the third and fourth.

These were failures on the part of principals in the performance of their duties; had there been failures

or offences on the part of articled clerks they could also have been dealt with under bye-laws 104 (b) and 107 which provide machinery for the purpose. An articled clerk found by the Courts to have been guilty of certain types of crime or by the Disciplinary Committee to have been guilty of an act or default of such a nature as to render him unfit to become a member of the Institute is liable to be so declared by the committee or to suffer such lesser penalty in the shape of reprimand or admonishment as the committee may think fit. Both principal and articled clerk are subject to the discipline of the Institute. There have, I think, been two cases in the last ten years when the maximum penalty for misconduct of an articled clerk was imposed.

Failure to Hand Over Books and Papers or to Deal Properly with Clients' Affairs

The last but one class of the cases for which I have given figures, that is, of failure to hand over books and papers which ought to be handed over to a member's clients or his successor or to reply to letters about such matters, of which there were twenty-two examples in the last ten years, can be difficult matters with which to deal. It may, of course, be that there are perfectly proper reasons for withholding books or papers. Where they are withheld, the Institute is not concerned to determine the rights or wrongs of any claim at law but is concerned in matters which are not appropriate for disposal in the Courts to determine whether the failure amounts to misconduct.

Negligence, failure to deal with clients' affairs or to reply to correspondence can in some circumstances be conduct which brings discredit upon the member and upon the Institute, throwing doubt on the competence of the member and his fitness to continue as a member. There must be other circumstances where inquiry proves the complaint to be less than this. I have no knowledge of the cases considered by the Investigation Committee but I should not be surprised to learn that they find this type as troublesome as any other when deciding whether to proceed with a charge.

Failure to Perform Purported Work

Finally, there were four members who purported to have performed work which they had not performed. They could hardly expect to escape punishment for misstatements in their reports or certificates and naturally the Institute took a severe view of their misconduct.

This brings me to the end of my analysis of cases but I am as conscious as you must be that they have involved no mention of a number of matters of which you might expect to hear in any discussion of the ethics of a chartered accountant in practice. There is time to refer to only a few of these.

Need for Secrecy

The examples I have cited did not include any penalty for breach of confidence or of professional secrecy,

though this would certainly be regarded as misconduct if it were to be proved. It is a tribute to the high standards of our practising members and their staffs in this respect that no allegation of failure has been proved to be well founded in the long period covered by my review.

You know from the clauses in your own articles of clerkship how great an importance is attached to this matter. The chartered accountant has no legal privilege such as the lawyer has but he is none the less responsible for keeping to himself – except when legally required to do otherwise – the confidential matters of the clients for whom he acts.

As to the circumstances in which he may have a legal obligation to do otherwise I commend to your notice the advice given in the *Members' Handbook* on 'Unlawful acts or defaults by clients of members', a carefully considered paper which was settled in consultation with Counsel and is deserving of the most careful study by us all. I do not propose to say more about it now.

Articled clerks have the same duty as members of the Institute to keep the confidential matters of clients to themselves. It is all too easy to talk to one's friends and relatives of what one has heard or learned in a client's office and to forget that the client talks freely to his auditors or accountants and their assistants about matters which he would never think of mentioning to others. We must all keep a guard upon our tongues. Careless talk in wartime costs lives; in professional work it may cost a career.

Limitations on Scope of Work

The chartered accountant must also realize that he must not purport to do more than he is qualified to do. This implies that he must not put his name publicly to a certificate on an estimate of future profits nor certify the intentions of his client or the technical constitution or quality of a product. It is one thing for him to use his experience and common sense and to tell a client privately, with all the reservations which are appropriate, what he thinks of an estimate of profits; it is a very different matter for his name to be associated with a forecast in such a way as to imply that he vouches for it. He may be fully competent to certify past results but his profession does not qualify him to certify the future and he should not lead the public to think that it does. It is likewise appropriate for the chartered accountant to report whether a statement in suitable form is in accordance with the records examined by him but wholly inappropriate for him to certify the correctness of factual statements in regard to which he is not competent to do more than express an independent opinion on the basis of the records and information which he has considered. This may sound a rather obvious statement to make but it is surprising how often in practice one has to remind people that there are limits to the services which the chartered accountant can properly perform.

Need for Caution and Common Sense

It may also sound unnecessary to say that the practising chartered accountant must be cautious about undertaking work which may bring him or his profession into disrepute. Before accepting an agency for an organization which invites the public to place funds in its charge, the accountant should satisfy himself that acceptance is not inappropriate because of the nature of the functions performed by the organization, the way in which they are advertised or the manner in which his name will be publicized. He should also take the elementary precaution of seeing, at least so far as available published information indicates, that the concern appears to be financially sound and conducted properly. These, you may think, are nothing more than common-sense precautions; as such I commend them to your notice.

Implications of Position of Trust

Another main point of which you must be reminded is that the auditor or professional accountant is in a position of trust. He must be scrupulous where his personal interests are involved. He must not act for clients on opposite sides in a transaction without the knowledge and consent of both. He should not purport to act in an independent capacity if in fact he is not independent. If, for example, he were financially interested to a material extent in an undertaking he ought not, without the consent of the parties, to undertake an arbitration between that concern and another; he ought not to purport to give in an independent capacity a certificate of profits for such a concern. He should not accept gifts which affect his independence of judgement and place him in an equivocal position. As auditor or professional adviser of a company he ought not, without the consent of his clients, to use confidential knowledge thus obtained to benefit either himself or any person other than his client.

The question is sometimes asked whether an auditor or member of the auditor's staff can properly buy or sell shares in a company of which he is the auditor. There must clearly be circumstances and times when to do this would involve the use by the auditor of knowledge which is not available to stockholders generally; there are others when this would not be so. The auditor must be honest with himself and others, and, if in doubt, keep out.

Conclusion

I want to end where I began, by emphasizing the need for a positive approach to problems of conduct. Face your lives honestly and intelligently in the light of the three principles which I have given you – be honest with yourselves, men of character and common sense and of alert minds; do unto others as you would be done by; and seek always to elevate your chosen profession and the Institute in the eyes of the public. In so doing you will develop your own self respect and the respect which others have for you; you will enhance the value which now attaches to the term 'chartered accountant'.

Weekly Notes

Income Tax Penalties

AT the beginning of the year some prominence was given in this journal and elsewhere to the memoranda submitted to the Board of Inland Revenue by various professional organizations in connection with the official review which was being undertaken of the penalty provisions of the Income Tax Acts. This subject again came into the limelight a few weeks later when the House of Lords allowed the Crown's appeal in the *Hinchy* case, thus reversing the previous decisions in favour of the taxpayer.

In his Budget speech the Chancellor of the Exchequer announced that the Inland Revenue had completed their review, but the changes he proposed in regard to income tax penalties will not be known until the Finance Bill makes its appearance.

Meanwhile a letter sent to the Chairman of the Board of Inland Revenue by the Council of the English Institute last December, hitherto unpublished but now included in the appendix to the Institute's annual report, sets out the Council's views on the subject and is reproduced on page 514 of this issue.

Take-over Lessons

THE latest addition to the list of discursive pamphlets issued by the Institute of Economic Affairs under the general title of Hobart Papers deals with the vexed question of take-over bids.¹ At the end of the war, the prevailing pattern of British firms reflected an industry imperfectly adapted to consumer needs, with a financial organization distorted by undue ploughing back of profits. In other words, an explosive situation just ripe for change; and in Mr Vice's view the take-over bidders brought about in a few months those changes that might otherwise have taken years to accomplish.

As traders, the bidders helped to adapt Britain's industries to a new environment; as financiers, they helped to open up company purse-strings and so heralded a more liberal distribution policy. As the author points out, nine out of ten bids are carried to fruition without fuss or upset. It is the tenth bid, often made over the heads of the directors, or actively opposed by a competing bidder, that captures the newspaper headlines. True, the actual take-over method may hold within itself the seed of concentration of industrial power into a few hands, but there can be little doubt that larger units can bring substantial economic benefits through improved efficiency. Nevertheless, Mr Vice carefully considers the other side of the coin showing how the conception

of large tax-free capital gains accruing to avaricious bidders is a travesty of most of the known facts.

Summing-up, Mr Vice feels that the best defence against abuses of bids would be a sophisticated investing public. Until that day dawns, however, the financial Press must play its part by judicious comment and discussion of the issues involved. Meanwhile, one possible way of trying to ensure that shareholders' interests are protected and respected might be to set up an independent shareholders' association. Certainly, an organization of this kind merits serious consideration in spite of the more obvious drawbacks like lack of funds, problems of organization, and the difficulty of preserving absolute impartiality.

F.B.I. on European Trade

MR W. H. McFADZEAN, C.A., addressing the Annual meeting of the Federation of British Industries in his capacity as President last week, drew attention to the effect of the establishment of the European Common Market and the European Free Trade Association on United Kingdom exports. He reminded his members that the European Common Market is now a fact and that before long its signatories will start reducing tariffs among themselves and building a common external tariff. The immediate effect of this will be to lower French and Italian tariffs somewhat and raise those of West Germany and Benelux. The result will be that United Kingdom exports will have a higher tariff wall to face in Benelux and Germany and a slightly lower one in the first two countries. The gain and the disadvantage to United Kingdom exports will, of course, be shared with members of the Common Market.

So far as the European Free Trade Area is concerned, Mr McFadzean said that if tariffs towards us come down by a fifth on July 1st, the biggest advantage for British exports will be in Austria. There will be a comparatively smaller advantage in Switzerland and Scandinavia where tariffs are already low. In Western Europe as a whole, the result is likely to be that our chances will have worsened for some 10 per cent of our total exports and bettered over some 14 per cent. If the Common Market countries extend their tariff cuts to the outside world and members reduce the level of their common outer tariff, the impact of the Common Market tariff policy on our exports will be mitigated.

Mr McFadzean said that it was important that these two blocs should not split Western Europe into two hostile economic groups, but he thought that little could be done about this in the industrial field and that there must first of all be some kind of a political solution.

Record Savings

NATIONAL savings for the financial year 1959-60 set up a new record in peacetime of £389 million. The Trustee Savings Banks brought in about £40 million more than in the previous year and the Post

¹ *Balance-sheet for Take-overs*, by Anthony Vice. Hobart Paper 3. Barrie & Rockliff. Price 3s 6d.

Office Savings Bank had the best year for over ten years. Savings Certificates and Defence Bonds brought in over £200 million net and Premium Savings Bonds brought in £60 million.

The outstanding performance last year was by Defence Bonds; receipts from this source amounted to £215 million and repayments to only £69 million. The Trustee Savings Banks and the Post Office Savings Banks continued to have a very much higher volume of receipts than Defence Bonds but they also had a very high rate of repayment. For example, the Post Office Savings Bank, with receipts of just over

£500 million, had repayments of £398 million. Premium Savings Bonds had receipts of just over £61 million and repayments of £20 million, so that they were very much the smallest category of savings. There have been indications, which found an echo in Mr Amory's Budget, that Premium Savings Bonds have not held the amount of public interest which they generated when first introduced and it remains to be seen if the Budget announcements on these Bonds, including a number of larger prizes, makes the saving public more willing to forgo an ordinary interest payment or can attract new savers.

This is My Life . . .

by An Industrious Accountant

CHAPTER 21

DOES accountancy training atrophy initiative? I've been wondering all week. It started when our sales manager wanted to establish a new department for babywear, and the managing director took the chair at the initial discussion. The sales manager brought along two sub-managers and a traveller and I contributed my departmental accountant and his assistant, with records of stock, purchases, sales and gross profits for years past. I warned them to control the forward budget planning carefully, as the new project must stand or fall on our costing forecast.

Personally, I held only a watching brief, being temporarily silenced with acute laryngitis, so that every word was an effort. This disaster was a source of joy to our hearty sales manager, who loudly proclaimed that he'd get somewhere fast if these accountants always kept their mouths shut. My people merely smiled primly and patronizingly - much to my regret, as there were at least two devastating retorts available.

The discussion proved a fascinating case study. The other departments obviously must contribute a quota to be determined precisely later, ranging over floor space, a new window, stock items such as garments, shoes, blankets and go-cars, an outside traveller and an inside staff and a portion of the advertising budget. The departments must in turn receive revised budgets to compensate for their lost business, and finally the jigsaw must be pieced together to foreshadow an improved net profit. Just listening was a liberal education in costing technique.

The sales manager made his points with optimistic enthusiasm, his assistants contributed lively amendments and extensions, and the managing director curbed their more outrageous ideas and skilfully built up a unified final picture.

Unfortunately, my own staff were disappointing.

At first they sat by, gravely judicial in manner, informative when figures were wanted, and apparently watching progress keenly. But gradually their role seemed to diminish. They made no effort to suggest constructively or to criticize, and whenever I played the ball to my accountant, to keep him in the picture, he relinquished it at once. 'It's perhaps premature to express an opinion at this stage, I think, until we have more data.' At first he seemed merely reserved and cautious; as time wore on, he looked just plain stupid.

It was clear that the accountants were mentally conditioned to a habit of voluntarily abdicating any claim to that executive instinct which naturally takes the lead in discussion; they didn't accept the basic responsibility of trying to influence policy and swing decisions round to their views. They played second fiddle as to the manner born and let the salesmen, vehement, forceful, jockeying for advantages, run the conference.

When the managing director finally adjourned until the following day, and remarked: 'We'll hardly need to bother the accountants any further; we have all the figures we need', my blood began to boil. I almost wrecked my uvula in croaking hoarsely that we should prefer to maintain contact, to keep the forecasts realistic, while glaring defiance at the sales manager, who merely grinned cheerfully. The chief assented promptly. From the quick gleam in his eye, I felt he knew the undercurrent.

My staff filed back into my room to sort out our notes, still non-committal and disinterested. Then my accountant contributed that final straw which breaks the suffering camel's back. 'Pity they didn't take over Group 6 from the chemist department's stocklist and Group 14 from 'toys'. With those, and a new side door through 'boots', they'd have made their percentage *vis-à-vis* floor-space exactly.'

It was a brilliant suggestion, just what we needed, and it drove me to fury. 'Why the so-and-so didn't you say that at the meeting?' I roared at him, to his utter astonishment. He reacted with insulted dignity and has treated me like a leper since.

I know that accountants don't like being hustled, but is his attitude the exception or the rule where initiative is concerned?

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Hood Barrs v. C.I.R.

In the Court of Appeal - March 23rd, 1960

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice PEARCE and Lord Justice HARMAN)

Surtax - Withdrawals of appeals for some years - Shares transferred to daughter - Purchase money provided by parents - Contention that daughter was trustee - Blank transfers - Dividends paid to parent - Whether daughter a nominee - Similar transaction with another daughter - Daughter then an infant - Decision in previous case that shares belonged to her - Presumption of advancement - Estoppel - Finance Act, 1938, Section 38 (2).

In 1938 the appellant transferred 60,000 shares in a company to one of his daughters at a price of £20,000, and the purchase money was provided by the appellant's wife. In 1941 another 60,000 shares were transferred on sale to the same daughter, and the purchase money was provided by the appellant. The transfer deeds of 1938 and 1941 were blank transfers. Most of the dividends on the shares were paid by the daughter to the appellant. In 1953 40,000 shares were transferred by the daughter to each of her two sisters. The Special Commissioners decided that the daughter was nominee of the appellant during the years under appeal; and that the income from the shares was his income for those years.

On the same day in 1938 the appellant transferred 60,000 shares to his second daughter without consideration, and as she was then an infant and unmarried, the appellant was assessed under Section 21 of the Finance Act, 1936, in respect of the income from the shares. This transaction is reported in *Hood Barrs v. C.I.R.* (2), where it was common ground that the shares were a gift to the daughter beneficially. The daughter paid most of the dividends to the appellant or to his firm. The daughter was married in 1947, and on her wedding day voluntarily transferred the shares to her mother.

It was contended in relation to this transaction that the evidence given in the earlier case showed a voluntary transfer by a father to his daughter; that there was, therefore, a presumption of advancement; and that there was no admissible evidence to rebut the presumption. It was also contended that the Special Commissioners were estopped by their decision in the earlier case from deciding that the daughter was the appellant's nominee. The Special Commissioners decided that the gift of the shares was a revocable settlement within Section 38 (2) of the Finance Act, 1958.

Held: (affirming the judgment of Mr Justice Upjohn): (1) the Special Commissioners' decision

was correct, (2) there was no estoppel preventing the Special Commissioners from coming to a decision contrary to their decision in the earlier case.

Hood Barrs v. C.I.R.

In the Court of Session - March 22nd, 1960

(Before the LORD PRESIDENT (Lord CLYDE) Lord CARMONT, Lord RUSSELL and Lord SORN).

Income tax - Loss claim - Certificates from General Commissioners - No notice to Inland Revenue of hearing - Whether appeal competent - Whether certificate valid - Court of Exchequer Act, 1707 - Court of Exchequer (Scotland) Act, 1856, Sections 17, 47 - Customs and Inland Revenue Act, 1890, Section 23 - Income Tax Act, 1918, Section 34 - Finance Act, 1923, Section 30 - Finance Act, 1937, Section 13 - Finance Act, 1953, Section 15.

At a meeting of the General Commissioners in November 1958, the appellant appealed against assessments under Case I of Schedule D for 1947-48 to 1950-51 in respect of his business as a timber merchant, and produced accounts showing a loss in each of the four accounting periods ended March 31st, 1951. The total loss was £4,221. The General Commissioners discharged the assessments. The appellant then orally applied for relief, under Section 34 of the Income Tax Act, 1918, in respect of the loss, but at the request of the parties the consideration of the claim was postponed. In January 1959, the General Commissioners sent to the parties a 'directive' purporting to make certain findings in law and directing the parties to settle the amounts of the trading losses in accordance therewith.

In February 1959, the General Commissioners held a meeting and issued certificates certifying losses totalling £34,384. The respondents were not represented at this meeting and they did not receive any copy of any application for relief nor a copy of any computation of the loss, other than a computation for 1947-48 which had been sent to them in January 1958. It was, however, neither alleged nor admitted that the appellant communicated with the General Commissioners or received a hearing from them after the meeting in November 1958.

The respondents appealed to the Court of Session to have the General Commissioners' certificate quashed and set aside. The appeal was under Section 17 of the Court of Exchequer (Scotland) Act, 1856, which authorizes an appeal where, at the date of the passing of that Act, a writ of habeas corpus or a writ of certiorari might have competently issued in the Court of Exchequer. The respondents contended that the certificates showed error in law and that the

General Commissioners acted contrary to natural justice. The appellant contended (1) that the appeal was misconceived in that at the date of the passing of the Court of Exchequer (Scotland) Act, 1856, a writ of certiorari could not have competently issued from the former Court of Exchequer; (2) that the act of the General Commissioners in giving the certificates was an executive act as to which a writ of certiorari could not have competently issued; (3) that error in law was not sufficient to warrant the quashing of the certificates.

Held: (1) the General Commissioners were acting in a judicial capacity and a writ of certiorari could have competently issued to them and therefore the present proceedings were competent; (2) in giving the certificates the General Commissioners had in the circumstances acted contrary to natural justice; (3) (Lord Sorn dissenting) error in law was disclosed on the face of the 'directive' which was a part of the record of the proceedings before the General Commissioners; (4) the certificates should be quashed and set aside.

Finance and Commerce

Catching up

THIS week's reprint features the accounts of Blundell, Spence & Co Ltd, which owns the paint manufacturing business founded by Henry Blundell and William Spence in 1811. If they could but see the accounts of their business for the year to October 31st, 1959, Henry and William would probably be startled not only by its growth but also by the form in which the company's accounts are presented today.

No longer are balance sheets the mere collection of open balances that older readers may recollect from their youth nor is profit adjusted into obscurity; and for the evolution to the improved standards of today, this journal can, perhaps, take some of the credit. This is not to say that there is not room for further improvement in a number of directions.

In the accounts under review, today's directors of Blundell Spence feel that they have caught up with the improved presentation of accounts in recent years. The chairman, Mr E. V. Calvert, says that they have been aware that since the passing of the 1948 Companies Act, modern accountancy techniques have continued to advance but they have considered that frequent revisions in the form of accounts presented to shareholders as confusing and cause difficulty when making comparisons with past years.

Group Emphasis

In passing, it might be pointed out that the main feature of comparison in company accounts is with the previous year, and the adjustment of previous year figures to a basis where they are comparable with those of the accounting year should not be beyond accomplishment. At all events, however, the Blundell Spence board feels that the time has come when 'it is appropriate to bring the presentation of the accounts up to date and it is hoped that the form

now adopted will enable stockholders to obtain more easily the essential information which they require'.

The new form of presentation, says Mr Calvert, lays greater emphasis on the group results as a whole and illustrates more clearly the manner in which stockholders' funds have been employed. As readers will see from the reprint, the balance sheets are in 'stripped' form, much of the detail being given in separate statements - a method, which does not always make for greater clarity or aid perusal, that seems to have developed in some quarters since the 1948 Act.

Omitted from the reprint is the directors' report which is mainly a statement of profit and its disposal;

BLUNDELL, SPENCE & COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st OCTOBER 1959

	1959 £	1958 £
CONSOLIDATED TRADING PROFIT OF THE YEAR	516,753	329,987
Add: Income from Investments (Note 1) ..	1,002	1,155
	517,755	331,142
Less: Emoluments of Directors of the Holding Company (Note 2)	32,794	26,688
Remuneration of Auditors of the Holding Company, including expenses	1,400	1,400
Depreciation of Fixed Assets	71,728	70,832
Loan Stock Interest (Note 3) ..	9,209	5,500
	£115,131	£104,420
CONSOLIDATED PROFIT OF THE YEAR BEFORE TAXATION	402,624	226,722
Less: Taxation (Note 4)	181,559	139,514
CONSOLIDATED PROFIT OF THE YEAR ..	221,065	87,208
Less: Items not strictly attributable to the year's trading	8,936	Add: 4,654
CONSOLIDATED NET PROFIT ..	212,129	91,862
Less: Net Profit attributable to the Minority Interest in certain Subsidiary Companies	16,522	8,173
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE HOLDING COMPANY	195,607	83,689
Less: Dividend on 5% Preferred Stock of Holding Company, less Income Tax	6,125	5,750
	189,482	77,939
Less: Dividends on Ordinary Stock of Holding Company, less Income Tax (Note 5)	92,964	48,486
PROFITS RETAINED (Note 6)	£96,518	£29,453

This Account should be read in conjunction with the Notes on pages [488].

BLUNDELL, SPENCE & COMPANY LIMITED
AND SUBSIDIARY COMPANIESCONSOLIDATED BALANCE SHEET
31ST OCTOBER 1959

	1959	1958
	£	£
CAPITAL EMPLOYED		
Preferred Capital (Note 8)	200,000	200,000
Ordinary Capital (Note 8)	562,140	562,140
Capital Reserves (Statement on page 10 and Note 9)	461,632	418,531
Revenue Reserves (Statement on page 10)	684,640	591,420
Attributable to Ordinary Capital	1,708,412	1,572,091
Total Stockholders' Interest	1,908,412	1,772,091
Loan Capital (Note 10)	400,000	100,000
Interest of Outside Shareholders in Subsidiary Companies	65,492	23,229
	<u>£2,373,904</u>	<u>£1,895,320</u>
EMPLOYMENT OF CAPITAL		
Fixed Assets (Statement on page 11)	1,147,432	1,065,137
Goodwill and Trade Marks at cost, less amounts written off	155,686	155,586
Net Current Assets (Statement on page 11)	1,216,286	779,747
	2,519,404	2,000,570
Less: Future Income Tax Assessable 1960/61	145,500	105,250
	<u>£2,373,904</u>	<u>£1,895,320</u>
E. B. CALVERT } Directors		
L. H. DOWNS }		

BLUNDELL, SPENCE & COMPANY LIMITED

BALANCE SHEET
31ST OCTOBER 1959

	1959	1958
	£	£
CAPITAL EMPLOYED		
Preferred Capital (Note 8)	200,000	200,000
Ordinary Capital (Note 8)	562,140	562,140
Capital Reserves (Statement on page 10 and Note 9)	355,686	359,256
Revenue Reserves (Statement on page 10)	615,239	585,292
Attributable to Ordinary Capital	1,533,065	1,506,688
Total Stockholders' Interest	1,733,065	1,706,688
Loan Capital (Note 10)	400,000	—
	<u>£2,133,065</u>	<u>£1,706,688</u>
EMPLOYMENT OF CAPITAL		
Fixed Assets (Statement on page 11)	778,305	787,540
Goodwill and Trade Marks at cost, less amounts written off	109,357	109,357
Investments in and amounts owing from Subsidiary Companies (Note 11)	732,401	524,169
Net Current Assets (Statement on page 11)	608,502	336,122
	2,228,565	1,757,188
Less: Future Income Tax Assessable 1960/61	95,500	50,500
	<u>£2,133,065</u>	<u>£1,706,688</u>
E. B. CALVERT } Directors		
L. H. DOWNS }		

These Balance Sheets should be read in conjunction with the Statements and Notes [below].

NOTES ON THE CONSOLIDATED AND HOLDING COMPANY'S ACCOUNTS

PROFIT AND LOSS ACCOUNT

	1959	1958
	£	£
1. INCOME FROM INVESTMENTS—GROSS		
Trade Investments	761	916
Other Investments	241	239
	<u>£1,002</u>	<u>£1,155</u>
2. EMOLUMENTS OF DIRECTORS OF THE HOLDING COMPANY		
As Directors	12,940	7,821
Other Emoluments	19,854	18,867
	<u>£32,794</u>	<u>£26,688</u>
A pension of £300 (£300) paid to a Past Director has been charged to Reserve for Pensions.		
3. LOAN STOCK INTEREST		
£400,000 6% Unsecured Loan Stock 1979/84	5,000	—
£100,000 5½% Unsecured Loan Stock 1959/62 of a Subsidiary Company	4,209	5,500
	<u>£9,209</u>	<u>£5,500</u>
4. TAXATION		
United Kingdom Taxation based on the profits of the year		
Profits Tax	27,400	21,500
Income Tax	111,678	75,061
Overseas Taxation	42,481	42,953
	<u>£181,559</u>	<u>£139,514</u>
5. ORDINARY DIVIDENDS—NET		
Interim		
5% on £562,140 Stock (equivalent to 3½% on £843,210 Stock)	—	16,162
6% on £562,140 Stock (equivalent to 4% on £843,210 Stock)	20,659	—
Final Proposed		
10% on £562,140 Stock (equivalent to 6½% on £843,210 Stock)	—	32,324
21% on £562,140 Stock (equivalent to 14% on £843,210 Stock)	72,305	—
	<u>£92,964</u>	<u>£48,486</u>
6. RETAINED PROFITS		
Retained by Subsidiary Companies	65,036	14,163
Holding Company—General Reserve	30,000	15,030
Holding Company—Addition to Carry Forward	1,482	290
	<u>£96,518</u>	<u>£29,483</u>
7. £130,571 (£69,526) of the Consolidated Net Profit has been dealt with in the Accounts of the Holding Company.		

BALANCE SHEETS

	1959	1958
	Authorised Issued	Authorised Issued
8. SHARE CAPITAL—		
5% Preferred Shares of £1 each	200,000	200,000
Ordinary Shares of £1 each	650,000	650,000
	<u>£850,000</u>	<u>£850,000</u>
Share Capital issued has been converted into stock.		
9. ORDINARY SCRIP ISSUE		
A scrip issue amounting to £281,070 was made to Ordinary Stockholders on the basis of one for two on the 25th January, 1960. The Share Premium Account of £73,575 and an amount of £207,495 from the General Capital Reserve were utilised for this purpose.		
10. UNSECURED LOAN STOCK		
6% Unsecured Loan Stock 1979/84 of Holding Company	400,000	—
5½% Unsecured Loan Stock 1959/62 of a Subsidiary Company redeemed during year at premium of £1 per cent	—	100,000
	<u>£400,000</u>	<u>£100,000</u>
11. INVESTMENTS IN AND AMOUNTS OWING FROM SUBSIDIARY COMPANIES		
Shares at cost	382,127	293,692
Advances and Current Accounts	350,274	230,477
	<u>£732,401</u>	<u>£524,169</u>
12. COMMITMENTS FOR CAPITAL EXPENDITURE		
Group	£28,700	£2,000
Holding Company	£12,000	£2,000
13. FOREIGN CURRENCIES		
In both Group and Holding Company Accounts the rates of exchange used are as follows—Australia: £A.125 to Sterling £100; India: Rs.1 to 1s. 6d.		
14. CONTINGENT LIABILITY		
There is a contingent liability in respect of Statutory Retiring Gratuities of approximately £9,700 payable in certain circumstances by a Subsidiary.		
15. The Consolidated Accounts incorporate the Accounts of Overseas Subsidiaries for the year to 30th June. The difference in accounting dates facilitates the proper examination of the Accounts of Overseas Subsidiaries and the submission of the Consolidated Accounts within a reasonable time after the end of the financial year of the Holding Company.		

CAPITAL RESERVES

HOLDING COMPANY	General Reserve	Investment Equalisation	Share Premium Account
BALANCES AT 31st OCTOBER, 1958 Add: War Damage Claims received in excess of written down value of buildings	£ 232,844 5,430	£ 52,837	£ 73,575
Less: Expenses of Loan Stock Issue including Discount of £4,000	238,274 9,000	52,837	73,575
BALANCE AT 31st OCTOBER, 1959	229,274	52,837	73,575
		£355,686	

GROUP	General Reserve	Investment Equalisation	Excess Profits Tax Post-War Refund Suspense Account	Share Premium Account
BALANCES AT 31st OCTOBER, 1958 Add: War Damage Claims received in excess of written down value of buildings Surplus on Revaluation of Buildings of Indian Subsidiary	£ 280,686 5,430 46,671	£ 52,657	£ 11,613	£ 73,575
Less: Expenses of Loan Stock Issue including Discount of £4,000	332,787 9,000	52,657	11,613	73,575
BALANCE AT 31st OCTOBER, 1959	323,787	52,657	11,613	73,575
			£461,632	

REVENUE RESERVES

HOLDING COMPANY	General Reserve	Investment Equalisation	Share Premium Account
BALANCES AT 31st OCTOBER, 1958 Add: Appropriated from Profits for the year (Note 6) Less: Cost of Pensions paid less Tax Relief thereon Proportion of Reserves and Undistributed Profits acquired by Minority Interest in a Subsidiary	£ 82,505 1,482 83,987	£ 7,787 30,000 525,000	£ 73,575
BALANCE AT 31st OCTOBER, 1959	83,987	525,000	73,575
			£615,239

FIXED ASSETS

HOLDING COMPANY	At cost or at independent valuation, less depreciation.	1958 Depreciation Cost, etc. £	1959 Cost, etc. Depreciation £
Freehold and Leasehold Land and Buildings Plant and Machinery	£ 570,000 207,530 777,530	£ — 205,665 £205,665	£ 8,251 439,704 £237,842
Trade Investments, at cost	10,010 £787,540	£983,195	£773,295 5,010 £778,305

GROUP	At cost or at independent valuation, less depreciation.	1958 Depreciation Cost, etc. £	1959 Cost, etc. Depreciation £
Freehold and Leasehold Land and Buildings Plant and Machinery	£ 684,666 370,461 1,055,127	£ 25,382 321,886 £347,468	£ 36,672 358,200 £394,872
Trade Investments, at cost	10,010 £1,065,137	£402,595	£1,142,422 5,010 £1,147,432

NET CURRENT ASSETS

HOLDING COMPANY	1958	1959	GROUP	1958	1959
Current Assets	£	£	Current Assets	£	£
Stocks	384,158	407,621	Stocks	926,218	854,032
Debtors and Payments in Advance	300,272	317,571	Debtors and Payments in Advance	807,404	678,969
Investments—Quoted	7,250	7,251	Investments—Quoted	7,253	7,250
Market Value—Holding Company £8,100 (£5,800)			Market Value—Holding Company £8,100 (£5,800)		
Bills for Collection	52,881	77,771	Bills for Collection	102,914	68,644
Tax Reserve Certificates	—	50,000	Tax Reserve Certificates	50,000	—
Cash on Deposit	27,807	150,000	Cash on Deposit	150,000	—
Cash at Bank and in Hand	772,368	1,029,969	Cash at Bank and in Hand	51,298	43,384
				2,095,087	1,652,279
Current Liabilities	£	£	Current Liabilities	£	£
Creditors and Accrued Charges	265,627	260,853	Creditors and Accrued Charges	549,368	520,152
Bank Overdrafts (Secured)	—	—	Bank Overdrafts (Secured)	120,142	718,866
Provision for Pensions	138,295	88,309	Provision for Pensions	1,823	1,574
Proposed Dividends:			Proposed Dividends:	125,857	191,755
Holding Company: Final Dividend on Ordinary Stock, less Income Tax	32,324	72,305	Holding Company: Final Dividend on Ordinary Stock, less Income Tax	72,305	32,324
Subsidiary Company: Dividend, free of tax, to Minority Shareholders	—	—	Subsidiary Company: Dividend, free of tax, to Minority Shareholders	9,306	7,561
				878,801	872,532
NET CURRENT ASSETS	£336,122	£608,502	NET CURRENT ASSETS	£1,216,286	£779,747

the 'modern' form here does not run to the provision of comparative figures. As will be seen in the reprint Note 5 extends the information in the profit and loss account regarding the dividend which was paid as to 5 per cent by way of interim on £562,140 ordinary stock and as to 14 per cent as a final on £843,210 stock, following a 50 per cent scrip issue to members registered on March 14th.

The particular virtue of the note is that it expresses the dividend distributions, both interim and final, in rates per cent on the £562,140 and the £843,210 of capital, both for this year's and last year's distributions. This is a convenience not often provided when capital is increased by capitalization.

Cancelled Orders

THE effect on business results of a chop-and-change railway modernization programme is seen in the 1959 accounts of Joseph Shakespeare & Co Ltd, of Staffordshire. The company, among other things, makes iron and steel fittings for railway wagons. Trading profit dropped from £101,967 to £40,164 and profits before tax from £81,492 to £24,648. The

dividend policy of recent years, however, has been conservative and it has been possible, without overstraining the position, to maintain the dividend at 25 per cent.

Mr J. W. Shakespeare, the chairman, referring to the 'temporary setback', points out that the business had been very much geared up to the modernization of the railways. The order book overflowed and prospects were good. 'Then', he says, 'almost overnight, and without much publicity, much of the modernization programme was suspended, and in one week alone we had orders and potential orders to the value of more than £250,000 cancelled.' As Mr Shakespeare admits, the company was by no means the only one to be affected and the suspension of railway orders caused a recession of some magnitude in the iron and steel goods manufacturing industry; this resulted in a good deal of price cutting, making it difficult to book orders at prices showing a reasonable return. For this company, however, a 'search for new markets' and 'diversification' has produced results, prospects are brighter and the order book is expanding.

CITY NOTES

THE Stock Exchange three-week account which covered the Easter holiday and which ended this week has brought a general and fairly widespread reaction in the equity markets. Selling has not been heavy at any time but buyers have held off. The softness of the equity market has largely been an aftermath of the Budget and its 'warnings' on the possible use of measures in the credit sphere if inflationary pressure should be re-exerted.

It is accepted that the banks have taken their cue from the Chancellor's tone and are now being less liberal in their lending. It remains to be seen whether or not this saves the banks from being called upon to make 'special deposits' at the Bank of England. There is, however, a broad assumption that such action, rather than an increase in Bank rate, would be the more likely credit weapon for official use should circumstances warrant any enforced credit curb.

Another factor in the inflationary equation, however, is that the spending boom on consumer goods may tend to look after itself. Some sections of the consumer goods market have now apparently reached saturation point.

In the external economy, the problem of rising imports still remains pressing. The March trade figures showed some improvement on the seasonally adjusted figures, but the trend of imports over the next few months is the key statistic to be watched.

Uncertainties concerning the immediate future have persuaded some holders of equities to take some portion of their profits and to keep a portion of funds 'liquid' in the hope that the anticipated heavy volume of new issues will provide useful reinvestment opportunities.

RATES AND PRICES

Closing prices, Wednesday, April 20th, 1960

Tax Reserve Certificates: interest rate (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sep. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Feb. 12	£4 10s 11·00d%	Mar. 18	£4 12s 3·52d%
Feb. 19	£4 10s 10·65d%	Mar. 25	£4 12s 5·03d%
Feb. 26	£4 11s 1·07d%	April 1	£4 12s 5·05d%
Mar. 4	£4 10s 9·34d%	April 8	£4 12s 11·83d%
Mar. 11	£4 11s 8·32d%	April 14	£4 13s 1·10d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80 15-81 18	Frankfurt	11·71 5-7
Montreal	2·71 15-16	Milan	1744 8-8
Amsterdam	10·59 15-16	Oslo	20·01 1-1
Brussels	140·00 3-4	Paris	13·78 1-1
Copenhagen	19·34 1-35 18	Zürich	12·19 15-16

Gilt-edged

Consols 2½%	46 11 18	Funding 4% 60-90	90 1 18
Consols 4%	70 11 18	Savings 2½% 64-67	81 1 18
War Loan 3½%	62 11 18	Savings 3% 55-65	90 1 18
Conversion 3½%	61 1 18	Savings 3% 60-70	79 1 18
Conversion 3½% 1969	85 1 18	Savings 3% 65-75	73 1 18
Exchequer 5½% 1966	100 1 18	Treasury 2½%	45 1 18
Funding 3% 66-68	82 1 18	Treasury 3½% 77-80	76 1 18
Funding 3% 59-69	81 1 18	Treasury 3½% 79-81	74 1 18
Funding 3½% 99-04	69 1 18	Victory 4%	94 1 18

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries and Fees in the Profession

SIR, - I have been reading with interest the correspondence appearing in your columns on this most important subject. One main point seems to have been overlooked by many of your correspondents, and this concerns the general efficiency or otherwise of the small practitioner's office.

I am in practice on my own account and apart from my main practice in a West Country city, I have a practice in a small country town where my clients consist mainly of farmers and shopkeepers, many in a very small way of business. I think members of our Institute in similar circumstances would find that a little more efficiency on their part would enable them to charge a fee for work undertaken which would give them a better personal reward. I find that provided a client is satisfied with the work carried out for him and that this work is kept up to date at all times, then a reasonable fee can be obtained. Any accountant in practice who cannot organize his own office and thus ensure a good service for his clients does not, in my opinion, deserve the fee that goes with this service.

Yours faithfully,
SATISFIED (F.C.A.).

SIR, - Referring to 'Employer's' letter in your issue of April 9th - as a practising accountant with clients ranging from small traders to large private and small public audits, I resolved in June of last year to take the plunge and put up all fees to realistic charges and 90 per cent of clients have had their fees put up by not less than 20 per cent. Not one client has been lost - many wrote flattering letters to the effect that the service rendered was well worth paying the new fee. (Compared with other practitioners my fees were not low originally.)

My only regret is that I did not face facts years ago as I am now convinced that if the small or medium practitioner will render a proper service to clients and charge a proper fee, he will not need to complain of insufficient reward for his efforts.

I fully endorse all 'Employer' writes and suggest practitioners take the plunge and they can watch their bank managers smile!

Yours faithfully,
PRACTITIONER (F.C.A.).

P.S. My staff are also not underpaid!

Office Mechanization

SIR, - I have just returned to Madras, and in reading through the accumulated copies of *The Accountant*, have come across Mr Tranter's reply (March 19th issue) to my comment on mechanical systems that do not provide sufficient information.

While I agree that accounting by exception saves a great deal of unnecessary work (even on audit one does not spend a lot of time on book debts that have been since paid), the consideration of credit requires rather more than the negative information afforded by absence of a customer's name from the outstandings list. A customer with an unblemished record at average dealings of, say, £10 monthly, might not be such a good risk on an order for £1,000. Credit managers need to consider such points, and to do so they must have information. If that information is not available, bad debts will very soon outweigh the saving in not recording it.

Mr Tranter, I feel, would appreciate the simple system of some of our bazaar dealers. 'I buy the stock,' says the proprietor, 'and I put it in my shop. When I am not here the shop is locked, and I sell only for cash. What would I want books for?'

Yours faithfully,

Madras.

R. G. N. PRICE.

Building Societies Bill

SIR, - Note 7 of the preliminaries to the new Building Societies Bill refers to clause 13 of the Bill and states 'that it places certain restrictions on the persons who may value a property to be taken as security by a building society'.

On the other hand, clause 13 (1) of the Bill states that a 'director . . . of a building society shall not be qualified to assess the adequacy of security to be taken by a building society . . . '.

I submit that the *valuation of the property* to be mortgaged and the *assessment of the adequacy of the security* to be taken are not the same thing.

Property valued at £5,000 does not always justify an advance of any sum at all. The justification for the advance, i.e. the adequacy of the security, depends on a number of factors of which the value of the mortgaged property is only one.

If the intention of the Bill is that directors ought to provide themselves with the property valuation of a quite independent party, why does the Bill not say this?

What persons exist to judge of the adequacy of the security apart from the directors? Is it envisaged that a new profession should be brought into existence for this purpose, and that the directors should 'rubber stamp' the recommendations of the members of this body to the extent of the society's available funds?

Yours faithfully,

London, W1.

A. V. PAGE.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

REPORT OF THE COUNCIL FOR 1959

We reproduce below the annual report¹ of the Council for the year 1959 to be presented to the seventy-ninth annual meeting of The Institute of Chartered Accountants in England and Wales to be held on Wednesday, May 4th, 1960, at 2 p.m. in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2.

Her Majesty the Queen

1. The following Loyal Address was sent to Her Majesty The Queen:

'May it please Your Majesty

'At a meeting of the Council held on Wednesday, March 2nd, 1960, it was unanimously resolved:

'That the President, the Vice-President and Council of The Institute of Chartered Accountants in England and Wales on behalf of themselves and the members of the Institute desire humbly and respectfully to offer their sincere congratulations to Her Majesty and to His Royal Highness The Prince Philip, Duke of Edinburgh, on the birth of a son.'

Royal Charters and Bye-laws

2. At a special meeting of members held on May 6th, 1959, resolutions were passed for amendment of the bye-laws. The resolutions and the explanatory notes issued with the notice convening the meeting are reproduced in the Appendix². The amendments to the bye-laws were allowed on June 25th, 1959, by the Lords of Her Majesty's Most Honourable Privy Council.

3. At a special meeting of members held on June 2nd, 1959, a resolution (Appendix, page 78)³ was passed for amendment of the supplemental Royal Charter and the bye-laws in order to change the provisions under which an associate becomes a fellow, with a corresponding change in the provisions under which an incorporated accountant member A.S.A.A. becomes F.S.A.A. On a poll of all members (demanded by the Council in accordance with the intent on indicated on the notice convening the meeting) 14,231 votes were cast for the resolution and 3,825 against the resolution which was therefore passed by the majority required by clause 30 of the supplemental Royal Charter. The resolution was confirmed at a meeting held on August 5th, 1959. The alterations to the Royal Charter were allowed by Her Majesty in Council on October 19th, 1959, and the alterations to the bye-laws were allowed by the Lords of Her Majesty's Most Honourable Privy Council on the same date.

4. Replacement pages for insertion in section A of the *Members' Handbook*, to incorporate the alterations made to the Royal Charters and bye-laws during 1959, were issued as part of Supplement No. 5 to the handbook. Similar replacement pages have been printed as Supplement No. 1 to the loose-leaf publication *Royal Charters and Bye-laws*; copies may be purchased from the Institute at the price of 1s, including postage. The price of the complete *Royal Charters and Bye-laws*, including the supplement, is 5s, including postage. (*Remittances must accompany orders.*)

President and Vice-President

5. At a meeting of the Council held on Wednesday, June 3rd, 1959, Mr Charles Urie Peat, M.C., M.A., F.C.A., London, was elected President for the ensuing year in succession to Mr William Leonard Barrows, LL.D., F.C.A., Birmingham.

Mr Sidney John Pears, F.C.A., London, was elected Vice-President.

Resignation from the Council

6. The Council has to record with regret the resignation from membership of the Council of Mr Edward Duncan Taylor, F.C.A., Leeds, a member of the Council since 1942. He was a past Chairman of the Finance Committee and of the District Societies Committee.

New Member of the Council

7. The vacancy on the Council caused by the resignation reported above has been filled by the appointment of Mr David Steele, F.C.A., Bradford, and in accordance with bye-law 13 a resolution confirming the appointment will be submitted to the annual meeting.

Retirement and Election of Members of the Council

8. The following eleven members of the Council retire under bye-law 5 and are eligible for re-election. The names of the members in practice (other than the 'Society's appointed member' whose position is governed by clause 18 of the Scheme of Integration) have been referred to the district societies concerned and no other nominations have been received. These eleven members will be declared re-elected at the annual meeting in accordance with bye-law 8:

Mr William Leonard Barrows, LL.D., F.C.A., Birmingham.

Mr George Thomas Everard Chamberlain, F.C.A., Leicester.

¹Mr Jack Clayton, F.C.A., London.

²Mr Leonard Cecil Hawkins, F.C.A., London.

³Mr James Stanley Heaton, F.C.A., Keighley.

⁴Mr Paul Dugan Irons, B.COM., F.C.A., Hatfield.

Mr William Halford Lawson, C.B.E., B.A., F.C.A., London.

Mr Redvers Boulton Leech, M.B.E., T.D., F.C.A., Coventry.

Mr Robert McNeil, F.C.A., Hove.

Mr Sidney John Pears, F.C.A., London.

Mr David Steele, F.C.A., Bradford.

Council and Committee Meetings

9. During the year 1959 the Council met on 12 occasions, on 11 of which both special and ordinary meetings were held. The following committees held 181 meetings:

Applications ..	11	Library ..	4
Articled Clerks ..	11	Non-practising Mem- bers Consultative ..	4
Disciplinary ..	13	Overseas Relations ..	4
District Societies ..	3	Parliamentary and Law ..	11
Examination ..	4	P. D. Leake ..	1
Finance ..	11	Summer Course ..	3
General Purposes ..	11		
Investigation ..	12		

Special committees and sub-committees of standing committees .. 78

The foregoing table does not include meetings with representatives of other bodies on matters requiring joint consideration; nor does it include Taxation and Research Committee meetings which are recorded separately in paragraph 108.

¹ The Appendices and some references to them in the report are not reproduced.

² Not reproduced.

³ See *The Accountant*, May 23rd, 1959.

¹ Denotes member not in practice.

² Denotes 'Society's appointed member'.

Technical Activities Committee

10. At its meeting on November 4th, 1959, the Council announced the appointment of a Technical Activities Committee with the following terms of reference:

'To review the whole question of the Institute's activities in the technical field and to report with recommendations on (a) objectives; (b) how those objectives can be achieved; and (c) the associated problems of staff and office accommodation.'

Annual Church Service

11. The annual church service was held at 1 p.m. on Wednesday, July 1st, 1959, at St Margaret's Church, Lothbury, EC2, and was attended by the President and members of the Council as well as by a number of other members of the Institute. The service was conducted by the Rector, the Rev. A. John Drewett, M.A., B.Sc., and the lesson was read by Mr C. U. Peat, M.C., M.A., F.C.A., President of the Institute. The collection for the benefit of The Chartered Accountants Benevolent Association amounted to £47.

12. The service in 1960 will be held at 1 p.m. on Wednesday, July 6th, at St Margaret's Church, Lothbury. The Council hopes that as many as possible of the members of the Institute will attend.

Hospitality

13. In accordance with custom, the President's Dinner was held on the evening of May 5th, 1959, the day preceding the annual meeting of the Institute. The dinner was held at the Mansion House, by permission of the Lord Mayor. The names of those present were reported in *Accountancy* for May 1959 [and *The Accountant* of May 9th, 1959].

14. The President and members of the Council entertained the Lord Mayor of London, Sir Harold Gillett, Bt., M.C., F.C.A., at a luncheon in the Oak Hall on October 7th, 1959. Other guests were Mr Alderman and Sheriff Hubert Pitman, O.B.E., Mr Rodway Stephens, F.C.A. (Chief Commoner); Sir William Sykes, M.C., J.P., F.C.A. (Chairman of Coal and Corn and Finance Committee); Mr Leslie B. Prince, M.A., F.C.A. (Chairman of Rates Finance Committee); Mr E. H. Nichols, T.D., B.A., LL.B. (Town Clerk); Mr Desmond Heap, LL.M. (Comptroller and City Solicitor); Mr Paul C. Davie, B.A. (Remembrancer); Brigadier R. F. S. Gooch, D.S.O., M.C., M.A. (Secretary to the Lord Mayor); Mr H. A. Mealand, F.R.I.B.A. (City Planning Officer); Colonel B. H. Lumsden, C.B.E., R.M. (Common Cryer and Sergeant-at-Arms); and Captain G. M. Bennett, D.S.C., R.N. (Marshal of the City of London).

15. The President and certain members of the Council entertained Lord Percy, C.B.E., Lord Mills, K.B.E., Sir Norman Brook, G.C.B., Sir Arthur Forde, Sir Alexander Johnston, K.B.E., C.B., Mr W. Lionel Fraser, C.M.G., and Mr W. H. McFadzean, C.A., at a luncheon held at *The Savoy Hotel*, on November 17th, 1959. A further luncheon was held on February 24th, 1960, at which the guests were Viscount Kilmaur, G.C.V.O., Sir Gerard d'Erlanger, C.B.E., F.C.A., Sir George Erskine, C.B.E., Sir Frank Lee, G.C.M.G., K.C.B., Mr Lewis Chapman, C.B.E., and Mr D. J. Robarts.

Membership Changes

16. The number of new members admitted during the year 1959 was 1,553, including 499 admitted under the Scheme of Integration (23 members of The Society of Incorporated Accountants, 4 former members of the Society and 472 students of the Society). Nine former members of the Institute resumed membership through revocation of exclusion and 2 through re-admission after resignation. Under clause 22 of the supplemental Royal Charter, 44 members were excluded (34 of them for non-payment of subscription). The resignations of 66 members and the deaths of 256 members were reported.

17. During the year 1959 seven applications for revocation of exclusion from membership were refused and one which was acceded to did not take effect by reason of non-payment of the amount payable on re-admission. Two

applications from former members of The Society of Incorporated Accountants for admission to membership under clause 5 of the Scheme of Integration were refused.

18. The admission of three members became void under bye-law 41 through non-payment of the admission fee. One of them was later admitted and is included in the total of 1,553 in paragraph 16 above. The other two did not make a further application in 1959.

19. The number of members of the Institute on January 1st, 1960, was 32,579 compared with 31,381 on January 1st, 1959, an increase of 1,198. The changes are shown by the following statement in which the substantial number of changes from associate to fellow and from A.S.A.A. to F.S.A.A. reflect the alterations, operative from January 1st, 1960, in the supplemental Royal Charter (referred to in paragraphs 21 and 24). The changes also include six rectifications of class of membership under the Scheme of Integration:

MEMBERS	Members on Jan. 1st, 1959	Additions			Total	Deductions				Total Deductions	Members on Jan. 1st, 1960		
		Admissions	Re-admissions etc.	Changes		Deaths	Resignations	Exclusions etc.	Changes				
Fellows in practice ..	5473	—	a.b.c.	2617	8090	69	4	3	d.e.f.g.	98	174	7916	
Fellows not in practice ..	679	2	d.j.h.i.	8059	8740	40	6	1	a.k.l.	10	57	8683	
Fellows not in England or Wales ..	283	2	e.l.m.	1441	1727	3	—	2	h.	7	12	1715	
Associates in practice ..	4334	4	f.n.	459	4798	23	3	11	b.o.p.q.	2710	2747	2051	
Associates not in practice ..	16040	1450	5	k.p.r.s.	255	17750	85	39	12	j.n.t.	8688	8824	8926
Associates not in England or Wales ..	2684	31	4	o.t.	283	3002	21	3	13	m.r.	1591	1628	1374
F.S.A.A. in practice ..	—	—	—	g.u.	20	20	—	1	—	—	—	1	19
F.S.A.A. not in practice ..	162	—	—	v.w.	601	763	4	—	c.i.	6	10	753	
F.S.A.A. not in England or Wales ..	247	1	—	x.	316	564	5	—	w.	1	6	558	
A.S.A.A. in practice ..	20	—	—	y.q.	6	26	—	—	u.z.	21	21	5	
A.S.A.A. not in practice ..	821	22	—	z.aa.	12	855	4	7	s.v.y.bb.	628	639	216	
A.S.A.A. not in England or Wales ..	638	41	—	bb.	17	696	2	3	2	x.aa.	326	333	363
	31381	1553	11		14086	47031	256	66	44	14086	14452	32579	

- a 6 Fellows not in practice became fellows in practice.
b 2,610 Associates in practice became fellows in practice.
c 1 F.S.A.A. not in practice became a fellow in practice.
d 92 Fellows in practice became fellows not in practice.
e 3 Fellows in practice became fellows not in England or Wales.
f 2 Fellows in practice became associates in practice.
g 1 Fellow in practice became F.S.A.A. in practice.
h 7 Fellows not in England or Wales became fellows not in practice.
i 5 F.S.A.A. not in practice became fellows not in practice (on revocation of the option exercised under clause 3 (d) of the Scheme of Integration).
j 7,955 Associates not in practice became fellows not in practice.
k 1 Fellow not in practice became an associate not in practice.
l 3 Fellows not in practice became fellows not in England or Wales.
m 1,435 Associates not in England or Wales became fellows not in England or Wales.
n 457 Associates not in practice became associates in practice.
o 7 Associates in practice became associates not in England or Wales.
p 92 Associates in practice became associates not in practice.
q 1 Associate in practice became A.S.A.A. in practice.
r 156 Associates not in England or Wales became associates not in practice.
s 6 A.S.A.A. not in practice became associates not in practice.
t 276 Associates not in practice became associates not in England or Wales.
u 19 A.S.A.A. in practice became F.S.A.A. in practice.
v 600 A.S.A.A. not in practice became F.S.A.A. not in practice.
w 1 F.S.A.A. not in England or Wales became F.S.A.A. not in practice.
x 316 A.S.A.A. not in England or Wales became F.S.A.A. not in England or Wales.
y 5 A.S.A.A. not in practice became A.S.A.A. in practice.
z 2 A.S.A.A. in practice became A.S.A.A. not in practice.
aa 10 A.S.A.A. not in England or Wales became A.S.A.A. not in practice.
bb 17 A.S.A.A. not in practice became A.S.A.A. not in England or Wales.

Fellowship

20. During the year 1959 the number of associates elected to fellowship was 253 (compared with 344 in 1958) and the number of members admitted as fellows under the Scheme of Integration was five.

21. As stated in paragraph 3, the supplemental Royal Charter and the bye-laws were amended during 1959 to change the provisions governing fellowship. The effect of these amendments is that:

- (a) every associate becomes a fellow without application on the first day of January next following the completion by him of ten years of membership of the Institute, membership of The Society of Incorporated Accountants counting for this purpose as membership of the Institute;
- (b) an associate in practice remains entitled to apply for fellowship under conditions similar to those previously in force, namely, after the completion of five years continuously in practice, except that practice must be the member's main occupation; an eligible associate who does not so apply will in due course become a fellow as indicated in (a);
- (c) the fellowship election fee is abolished;
- (d) consequential reductions have been made in the scale of subscriptions payable by fellows.

22. Under the new provisions 11,760 associates automatically became fellows on January 1st, 1960. All the certificates of fellowship have been issued.

Use of the letters F.S.A.A.

23. During the year 1959 the Council approved applications under clause 4 (b) of the Scheme of Integration from ten incorporated accountant members A.S.A.A. to use the letters F.S.A.A. One application was refused.

24. As stated in paragraph 3, the supplemental Royal Charter was amended during 1959 to extend the provisions governing the use of the letters F.S.A.A. The effect of the amendment is that the letters F.S.A.A. will be used by each incorporated accountant member without application on the first day of January next following the completion by him of ten years of membership of the Institute, membership of The Society of Incorporated Accountants counting for this purpose as membership of the Institute. Applications may, however, still be made under clause 4 (b) of the Scheme of Integration.

25. Under the new provisions, 924 incorporated accountant members A.S.A.A. automatically became incorporated accountant members F.S.A.A. on January 1st, 1960. All the certificates of entitlement to the letters F.S.A.A. have been issued.

Incorporated Accountant Members becoming Associates

26. During the year 1959 the Council approved applications from four incorporated accountant members eligible to become associates in accordance with clause 6 of the Scheme of Integration.

Membership Certificates

27. As stated in the last report (paragraph 3) the issue of formal certificates of membership and fellowship to members admitted under the Scheme of Integration (which had been deferred until completion of the process of verifying the class of membership) was commenced on April 8th, 1959. Soon afterwards, however, the issue of these certificates was brought to a halt by the dispute in the printing trade and as a result of this delay the printing and sealing of the certificates continued up to the Council meeting in December 1959. After sealing, the distribution continued until early in January 1960.

Certificates of Practice

28. The issue of certificates of practice has ceased following the amendments made to the bye-laws during 1959. The reason for this change was explained in the explanatory note

(Appendix, page 75)¹ to Resolution No. 1 passed at the special meeting on May 6th, 1959. It still remains the duty of a member to give notice, in the form required by the Council, when he commences to practise.

List of Members

29. The distribution of the 1960 *List of Members* was commenced during March 1960 and is still in progress. The list is being sent to those members who completed the business reply card stating that they wished to have a copy. A similar course will be followed for the 1961 list; a member who wishes to receive a copy is asked to complete the business reply card which accompanies this report and to return it forthwith. The printing order will be based on the number of cards returned and the list cannot therefore be supplied to members whose cards have not been returned by October 31st, 1960.

Members' Handbook

30. Since the last report the following supplements to the *Members' Handbook* have been issued:

Supplement No. 5, issued on February 29th, 1960, containing:

Amendments to section A, following the alterations to the Royal Charters and bye-laws.

Section N 21, the new Recommendation dealing with retirement benefits.

Additions to sections O and P to incorporate various Council statements.

A correction of paragraph 60 of section S 5 which was found to be incorrect.

Supplement No. 6, issued on April 5th, 1960, containing section Q on taxation.

31. There is still much material to be issued before the handbook can be regarded as complete. Work on the compilation of further supplements is continuing and these will be issued as and when ready. In addition, the existing sections will be kept up to date.

32. Members are reminded that they may purchase (price 2s, including postage) a 'temporary container' for use when a member desires to take away from his office a particular section of the handbook, such as the Recommendations on Accounting Principles. It is also useful for accommodating temporarily a new supplement for reading before it is inserted in the appropriate part of the handbook.

Disciplinary Action

33. Details are given in the Appendix, page 81,¹ of the findings and decisions of the Disciplinary Committee, and where applicable of the Appeal Committee, since the last report, on formal complaints preferred by the Investigation Committee in accordance with its duty under bye-law 105. The findings and decisions have been published in *Accountancy* and *The Accountant*.

Honours and Decorations

34. The Council congratulates the following members who have received honours and decorations since the last report:

Baronetcy

Sir Harold Gillett, M.C., F.C.A., on the occasion of his retirement as Lord Mayor of London.

Knighthood

J. Latham, C.B.E., F.C.A., A. B. Waring, F.C.A., M. L. Warren, F.C.A.

G.B.

T. F. Hood, O.B.E., T.D., D.L., F.C.A.

C.B.E.

J. Ainsworth, M.B.E., M.COM., F.S.A.A., C. Cameron, J.P., F.C.A., W. Fisk, F.S.A.A., W. J. Kimpton, F.C.A., B. O'D. Manning, D.L., J.P., F.C.A., Group Capt. S. E. D. Mills, F.C.A.

¹ Not reproduced.

O.B.E.

F. S. Adams, F.S.A.A., C. W. Baxter, M.B.E., F.S.A.A., A. J. M. Cox, F.C.A., W. Harvey, B.Sc.(ECON.), F.S.A.A., Y. C. Kang, J.P., F.C.A., M. H. Pockson, D.S.O., F.C.A., F. R. Woodward, F.S.A.A.

M.B.E.

R. H. Epps, M.M., F.C.A., J. W. Pirie, F.S.A.A., H. H. Vincent, F.S.A.A., F. E. Warner, F.C.A.

T.D.

H. Kirton, F.C.A., R. E. Rickard, A.C.A.

Banquet in Guildhall

35. A banquet for members will be held in Guildhall on Monday, October 10th, 1960. An invitation to purchase tickets will be issued to members in due course and after the closing date places will be allotted by ballot if necessary. Members are requested not to communicate with the Secretary on this matter until the invitation has been issued.

National Public Service

36. Since the last report the following members have accepted appointments of national importance. The list does not include numerous appointments of importance in local or regional spheres of public service:

The Right Hon. A. E. Marples, M.P., F.C.A., previously the Postmaster-General, became the Minister of Transport.

Member

Appointment

Mr H. A. BENSON, C.B.E.,
F.C.A.

By the Minister of Power, to membership of a committee to review the work that has been done in recent years on the development of processes in which coal is the basic raw material and which will produce marketable products of a chemical or a gaseous or liquid hydrocarbon type; and to make recommendations as to the direction of further research and development work on any such processes which appear to the committee to hold promise of industrial application and as to the type of organization or organizations best suited to carry out such work.

The Hon. GEOFFREY ELLMAN
BROWN, C.M.G., O.B.E.,
F.C.A.

As one of the representatives of the Southern Rhodesia Government, to membership of the Monckton Advisory Committee on Central Africa.

Sir WILLIAM CARRINGTON,
F.C.A.

By the Chancellor of the Exchequer, to membership of the Advisory Panel which advises him on the administration of Section 468 of the Income Tax Act, 1952 (relating to applications by United Kingdom resident companies to emigrate).

Mr D. A. CLARKE, LL.B.,
F.C.A.

By the Nigerian Government to membership of the Commission of Inquiry into the Nigerian Coal Industry.

Mr W. H. G. COCKS,
F.S.A.A.

By the Minister of Labour, to membership of a committee set up to review the operation of the Truck Acts.

Mr J. T. CORBETT, F.C.A.

By the Home Secretary, to membership of a departmental committee on a Levy on Betting on Horse Races.

Mr B. W. GOODMAN, F.C.A.
Mr R. McNEIL, F.C.A.

By the President of the Board of Trade, to membership of the Advisory Committee on the Census of Distribution and Other Services which is to be taken in 1962, covering trade in 1961.

Sir HAROLD HOWITT, G.B.E.,
D.S.O., M.C., D.C.L., LL.D.,
D.L., F.C.A.

By the Secretary of State for the Colonies, to membership of a committee of inquiry into the financial structure of the Colonial Development Corporation.

Mr A. HUGHES JONES,
F.C.A.

By the Prime Minister, to membership of the Council for Wales and Monmouthshire for the period ending September 30th, 1962.

Mr J. A. JACKSON, F.C.A.

By the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland, to membership of the Committee of Investigation for Great Britain for a period of three years.

By the Minister of Agriculture, Fisheries and Food, to membership of the Committee of Investigation for England and Wales for a period of three years.

Mr R. KANDLER, F.C.A.

By the Federation of the Far Eastern Prisoners of War Clubs and Associations, as one of the trustees of The Far East (Prisoners of War and Internees) Fund established to administer the assets arising under Articles 14 and 16 of the Peace Treaty with Japan.

Mr R. L. LATIMER, F.C.A.

By the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland, to membership of the Tomato and Cucumber Marketing Board for a further period of four years.

Mr W. H. LAWSON, C.B.E.,
B.A., F.C.A.

By the President of the Board of Trade, to membership of the committee to review and report upon the provisions and working of the Companies Act, 1948, the Prevention of Fraud (Investments) Act, 1958, except in so far as it relates to industrial and provident societies and building societies, and the Registration of Business Names Act, 1916, as amended; to consider in the light of modern conditions and practices, including the practice of take-over bids, what should be the duties of directors and the rights of shareholders; and generally to recommend what changes in the law are desirable.

Mr W. A. T. MATHESON,
F.C.A.

By the Minister of Agriculture, Fisheries and Food, to membership of a panel to advise on awards to inventors whose original designs have led to the development of humane traps.

Mr S. J. PEARS, F.C.A.

By the Minister of Agriculture, Fisheries and Food and the Secretary of State for Scotland, to membership of a Committee of Inquiry to examine the present methods of determining the remuneration of distributors of liquid milk in the United Kingdom from the point of sale by the producer or Milk Marketing Board to the point of delivery to the consumer, and to advise whether any changes in these methods are desirable to ensure an efficient and economical service to the consumer for the supply of clean, safe milk.

Sir THOMAS ROBSON, M.B.E.,
M.A., F.C.A.

By the Minister of Transport and Civil Aviation, to membership of a committee to advise the Minister on problems connected with the replacement of the Cunard 'Queen' liners.

Council Nominations to Other Bodies

37. *Royal Society of Arts.* On November 4th, 1959, the Council nominated Mr J. A. Jackson, F.C.A., as the representative of the Institute on the Examination Committee of the Royal Society of Arts.

38. *London Chamber of Commerce.* On March 2nd, 1960, the Council nominated Mr R. P. Matthews, B.COM., F.C.A., as one of the two honorary auditors of the London Chamber of Commerce for a period of three years.

Deaths of Members

39. The Council records with regret the death of one former member of the Council, Sir William Henry Peat, G.B.E., K.C.V.O., M.A., a member of the Council from 1927 to 1944 and a past Chairman of the Students Societies Grants Committee; and the death of Sir Frederick Rowland, Bt., Lord Mayor of London for 1949-50.

40. The Council also records with regret that the deaths of the following members have been reported up to the date of preparing this report.¹

Examinations in 1959

41. *Institute examinations.* Examinations were held in May and November 1959, the Preliminary examination in London and Manchester and the Intermediate and Final examinations in London, Birmingham, Cardiff, Leeds, Liverpool, Manchester and Newcastle upon Tyne. The following were the results:

	Passed	Failed	Total Candidates	Comparative totals 1958
Preliminary ..	143	272	415	386
Intermediate ..	1,588	1,825	3,413	2,900
Final ..	1,185	1,363	2,548	2,183
Totals ..	2,916	3,460	6,376	5,469

42. *Examinations of the Society.* Examinations were held in May and November 1959 in London, Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, Manchester and Newcastle upon Tyne; and the South African

¹ The names are not reproduced.

Special Final examination was held in South Africa and Southern Rhodesia. The following were the results obtained by candidates for membership of the Institute:

	Passed	Failed	Total
Intermediate	223	315	538
Final			
Parts I and II together	9	9	18*
Part I only	125†	99	224
Part II only	379†	252	631
South African Special Final	20	9	29

† In addition to the 379 who have completed the Final examination by passing Part II, 9 of the 125 successful candidates in Part I had already passed Part II and have therefore now completed the Final examination.

* In addition, 14 candidates who sat for both parts passed in Part I only and 2 such candidates passed in Part II only.

Under the provisions of clause 16 of the Scheme of Integration, the Intermediate examination of the Society was held for the last time in November 1959. The Final examination of the Society will continue to be held in 1960 and 1961.

Examination Prizes and Certificates of Merit

43. The names of the candidates awarded prizes and certificates of merit in the Institute's examinations held in 1959 are given in the Appendix, page 84.¹ The names of the candidates awarded honours certificates in the examinations of the Society held in 1959 are given in the Appendix, page 86.¹

44. Hitherto the presentation of prizes has taken place at short ceremonies preceding the meetings of the Council in March and October in each year. A new procedure was inaugurated on March 2nd, 1960, when the President presented prizes and certificates of merit to successful candidates in the November 1959 examinations at a ceremony in the Oak Hall in the presence of relatives and friends and of members of the Council. Visitors were given the opportunity of seeing the Council Chamber, the Committee Room and the Library at Moorgate Place and were entertained afterwards at an informal tea.

45. The joint liquidators of The Society of Incorporated Accountants have transferred to the Institute Prize Trust Fund the capital and accrued income of the Morgan Prize and the Piggott Prize. The Morgan Prize, value at least £6 5s, will be awarded half-yearly by the Chartered Accountant Students' Society of London. The Piggott Prize, value at least £7 10s, will be awarded half-yearly by the Manchester Society of Chartered Accountants. The Institute Prize Trust Fund has received also an amount of £153 representing the capital of the W. D. Hall Fund, an informal charitable fund of the Scottish Branch of the Society.

Refusal of Permission to sit for Future Examinations

46. The Examination Committee twice exercised its power under bye-law 73 to refuse to allow a candidate to present himself for examination: a former articled clerk who had been convicted of petty larceny was informed that he would not be permitted to present himself for any future examination of the Institute; and similar action was taken in respect of an articled clerk who inserted on an examination entry form a signature purporting to be that of his principal.

Exemption from the Preliminary Examination

47. Bye-law 78. Certificates of exemption from the Preliminary examination were issued during the year 1959 to 2,613 persons who had passed exempting examinations, compared with 2,660 in the previous year.

48. Conditions for exemption. The Council has approved certain changes (Appendix, page 87)² in the conditions

relating to exemption from the Preliminary examination under bye-law 78. The changes make no addition to the list of recognized examinations. Their sole purpose is to achieve a greater degree of uniformity in the requirements relating to different examinations.

49. Bye-law 79. Exemption from the Preliminary examination was granted during the year 1959 to fifteen applicants under bye-law 79. (The number of applications granted in 1958 was seventeen.) This bye-law relates to persons, not being under the age of 30 years, who at the date of application had been for ten years continuously in employment as clerk to a member or members in practice.

Education and Training Committee

50. The Education and Training Committee, under the chairmanship of Mr W. E. Parker, C.B.E., F.C.A. (paragraph 16 of the last report)³, has continued its inquiry into the education and training appropriate to entrants to the profession. In response to the Council's request the committee has received a large number of written submissions from members of the accountancy profession, from members of other professions and from universities, educational authorities and representatives of industry and commerce. Oral evidence has also been taken and there have been informal meetings with representatives of district societies and students.

Articles of Clerkship

51. Registrations. During the year 1959 the number of articles of clerkship registered was 2,680 compared with 2,660 in 1958.

52. Suitability of practice for taking articled clerks. The Council has considered cases involving the suitability of practice for the purpose of taking articled clerks. Under bye-law 50 the Council has discretion to refuse to register articles lodged for registration. At its meeting on April 8th, 1959, the Council published a statement (Appendix, page 87)⁴ to the effect that it had exercised that discretion so that the number of clerks to be articled to members in certain cases had been restricted to fewer than the four permitted to a member by bye-law 56.

53. Permitted number of articled clerks. The principles on which the Council deals with applications under bye-law 56A for additional articled clerks were set out in the report for 1957 (paragraph 67). Since bye-law 56A came into operation on November 2nd, 1957, applications have been granted to partners in thirty-one firms, resulting in the allowance of 555 additional articled clerks, of whom 190 have been allowed on the basis of partners who are members of The Institute of Chartered Accountants of Scotland or The Institute of Chartered Accountants in Ireland, and the remaining 365 on the basis of qualified employees.

54. Prescribed clauses. Two applications were received during the year 1959 for permission to waive the inclusion of one or more of the provisions prescribed under bye-law 51 for inclusion in all articles. One application was granted. (In 1958 six applications were made but none granted.)

55. Additional optional provisions in articles. As stated in the last report (paragraph 64)⁵ the Council has decided to accept for registration articles of clerkship which include provisions under which the principal, subject to a right of appeal to the Council by the articled clerk, is entitled to discharge the articled clerk where he has been classified as a 'bad failure' at the Intermediate examination or where he has not passed that examination by the third occasion on which he could have presented himself. The additional provisions have been issued with sets of articles in the form of a printed endorsement but new articles are now being printed with the additional provisions incorporated therein.

56. Bye-law 58 (c). Applications were granted during the year 1959 under bye-law 58 (c) in respect of forty-one articled clerks wishing to spend periods not exceeding six

¹ Not reproduced.

² See *The Accountant* of November 14th, 1959, page 456.

³ See *The Accountant* of April 25th, 1959, page 501.

⁴ See *The Accountant* of April 18th, 1959, page 471.

⁵ See *The Accountant*, of April 25th, 1959, page 505.

months in an industrial, commercial or other suitable organization. (Thirty-six applications were approved in 1958.)

57. *Service under articles in Scotland and Northern Ireland.* At the annual meeting in 1959 the President undertook that consideration would be given by the Council to a proposal that members in practice in Scotland should be permitted to take articled clerks. The Council has accepted in principle that service under articles should be permitted both in Scotland and in Northern Ireland and has had satisfactory discussions with The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland. Alterations to the Royal Charters and bye-laws will be required. The Council proposes to submit resolutions in due course to a special meeting of members.

58. *Refusal to register articles of clerkship.* An applicant who submitted, for the purpose of claiming exemption from the Preliminary examination, an examination certificate which had been altered was informed that the Council would refuse to register articles of clerkship to which he was a party.

Articled Clerks: National Service

59. *Termination of call up.* As a result of the announcement by the Government of its intention to terminate national service, certain changes in the deferment regulations relating to articled clerks were published by the Ministry of Labour and have been incorporated in the May 1960 examinations edition of the booklet *General Information and Syllabus of Examinations*. The regulations were based on the assumption that there would be no further call up after the end of 1960. On December 14th, 1959, the Ministry of Labour announced that the number of men whose deferment was due to end in 1960 and who would become available for call up was likely to be appreciably larger than required; accordingly it had been decided that men whose deferment ends on or after June 1st, 1960, would not be called up.

60. *Withdrawal of call up notices.* In recent months cases have come to the attention of the Institute where local deferment boards have been issuing call up notices to articled clerks on the basis of the previous regulation that a clerk would become immediately liable for call up where he had not passed the Intermediate examination within four years of entering into articles and where his articles were not due to be completed until after June 30th, 1960. This regulation is no longer in operation and in appropriate cases the Institute has made representations on behalf of the articled clerks concerned with the result that call up notices have been withdrawn.

Bye-law Candidates and Articled Clerks of the Society

61. At its meeting on November 4th, 1959, the Council announced that after February 29th, 1960, it would not consider an application by any former articled clerk or former bye-law candidate of the Society for registration under the Scheme of Integration. The announcement was published in *Accountancy* for November 1959 [and *The Accountant* of November 14th 1959]. Since the last report there have been fifty registrations, bringing the total to 5,898.

Recruitment of Articled Clerks

62. The introductory booklet, *Why Not Become a Chartered Accountant?*, has again been distributed to all public and grammar schools and to youth employment officers and considerable numbers have been supplied for use at careers and similar exhibitions. There has been a substantial increase in the use of the tear-out page in the booklet whereby any one can ask the Institute for further information or an introduction to a member with a vacancy for an articled clerk.

63. Shortly after the commencement of each school term the Institute inserts a small advertisement in the personal columns of *The Times* and *The Daily Telegraph* stating that

the Institute is willing to assist in finding vacancies for those who wish to become articled clerks and inviting inquiries to be made to the Institute.

64. By arrangement with the Public Schools Appointments Bureau a meeting of careers masters took place at Moorgate Place on November 19th, 1959. After luncheon in the Oak Hall, members of the Council took part in an afternoon session of questions and answers, when there was a very full exchange of problems.

65. Special efforts have been continued to interest university graduates in the profession. In April 1959 a letter (Appendix, page 88)¹ was sent to the secretaries of university appointments boards. Visits have been made to university appointments officers and talks have been given to undergraduates. A booklet entitled *A Career for Graduates* was issued by the Council in October 1959 and distributed widely among universities and public and grammar schools. It has been designed as a first introduction to the profession and is intended to have a wide appeal to graduates irrespective of their course of study. On March 30th, 1960, a meeting of university appointments officers took place at the Institute when nearly every university in the United Kingdom was represented. The Council welcomes the entry of graduates into the profession and is grateful to those members who replied to the Secretary's letters (Appendix, page 89)¹ published in *Accountancy* for April 1959 and March 1960 [and in *The Accountant* of April 18th, 1959, and March 19th, 1960] inviting those with vacancies for graduates to write to him in order that introductions may be given.

66. In May 1959 a letter (Appendix, page 89)¹ was sent by the Secretary to the head teacher of each school represented on the Headmasters' Conference inviting inquiries on behalf of prospective articled clerks and offering assistance with introductions to members. At the same time similar letters were sent to the head mistress of each principal girls' school and the head master or head mistress of each secondary grammar school.

67. Over 700 interviews by appointment took place at the Institute in 1959 in connection with introductions for prospective articled clerks. (The number was 100 more than in 1958.) More than 400 successful introductions were given in London. A considerable number of inquiries was received from the provinces and passed to the district society or branch concerned.

68. The Council again wishes to place on record its thanks to members who have given their services in connection with careers and similar conventions and at meetings with youth employment officers, parents and others to give advice to those who may be interested in the profession.

69. The Institute continues to maintain a register of members prepared to take overseas students as articled clerks. Members are requested to inform the Secretary if they wish to have their names entered on the register. There is a considerable number of overseas students already in this country who have given their particulars to the Institute with a view to an introduction to a member. These students are asked to attend for interview as necessary and brief particulars are sent when desired to members who indicate their interest.

Bye-laws 61 and 85 (b)

70. Bye-laws 61 and 85 (b) relate to those persons who have for not less than ten years been continuously in employment as clerks to members in practice or who have had experience which in the opinion of the Council is equivalent to such employment. Such persons may apply for a reduction in the period of service under articles (bye-law 61) and exemption from the Intermediate examination (bye-law 85 (b)). Applications considered in 1959 were as follows:

Bye-law 61: twenty-five applications, of which twenty-two were granted. (In 1958, twenty-four applications were made and granted.)

Bye-law 85 (b): Fourteen applications, of which seven were granted. (In 1958, the figures were eighteen and nine respectively.)

¹ Not reproduced.

All these applicants were interviewed in London or in the provinces unless they had already been interviewed in connection with an application under bye-law 79 (see paragraph 49).

The Universities and the Accountancy Profession

71. *Exemptions granted under bye-law 85 (a).* Exemption from the Intermediate examination was granted during the year 1959 to seventy-five articled clerks who had graduated after taking one of the degree courses approved for the purposes of bye-law 62. (The number of exemptions granted in 1958 was eighty-one.)

Students' Societies

72. *The students' society and the articled clerk.* At its meeting on October 7th, 1959, the Council authorized for publication a statement (Appendix, page 90)¹ entitled *The Students Society and the Articled Clerk*, designed primarily for the guidance of the committees of students' societies and for the information of the committees of district societies and branches. This publication brings up to date and replaces the statement entitled *The Place of the Students' Societies in the Education of Articled Clerks* issued by the Council in August 1951. Its significance for all members – and for practising members in particular – is such that the Council has decided that it shall be included in due course in the appropriate section of the *Members' Handbook*.

73. *Union of Chartered Accountant Students' Societies.* The eleventh annual meeting between officers and students constituting a liaison committee of the Union of Chartered Accountant Students' Societies and the President and certain members of the Council was held on March 17th, 1960. A frank and informal discussion took place on matters of interest to articled clerks.

Advisory Committee on Further Education for Commerce (The 'McMeeking Report')

74. Following the publication of the Report of the Advisory Committee on Further Education for Commerce, of which Mr J. G. McMeeking was chairman, the Institute has received requests from technical, commercial and similar colleges with a view to the appointment of a representative of the Institute on an advisory or similar committee of a college. The Council has therefore drawn the attention of the district societies and students' societies to the important fact that articled clerks are not within the scope of the recommendations made by the McMeeking Committee. This is made clear in paragraph 8 of the committee's report which reads as follows:

'Education for commerce includes preparation for examinations of a number of professional bodies whose members are frequently to be found in commercial practice or employment. We make some recommendations, which we hope will be found helpful, about the relations between the colleges and those professional bodies for whose examinations students commonly prepare in the colleges. There are, however, other professional examinations (for example, those of The Law Society and of The Institute of Chartered Accountants in England and Wales) which students are required to take as part of a prescribed system of articled pupilage not necessarily involving attendance at a college maintained by a local education authority. We believe that some of the information and suggestions in our report may be of interest to the professional bodies concerned (and we note with appreciation the comprehensive review of educational requirements which the Council of The Institute of Chartered Accountants in England and Wales has recently begun); but we wish to make it clear that in the time at our disposal we have not been able to investigate the systems of articled pupilage referred to above (which, in any case, are on the margins of our terms of reference) and therefore make no recommendations about them.'

75. The Council has made it clear to the district societies that where a request is made by a technical or similar college for the appointment of a local member to an advisory or similar committee of the college it rests with the society to decide whether local co-operation is desirable; but where such an appointment is made a member of the Institute will participate in his personal and individual capacity, not as a representative of the Institute or of the district society.

Summer Courses

76. 1959. The thirteenth summer course, held at Christ Church and Merton College, Oxford, from July 9th to 14th, 1959, was attended by 283 members of whom 122 were in practice, seventy-three were engaged in industrial, commercial and other occupations, and eighty-eight were engaged with public accountants. The addresses presented were as follows: 'Business efficiency – the part of the accountant', by Mr C. I. Bostock, M.A., F.C.A.; 'Some practical aspects of death duties', by Mr B. G. Rose, F.C.A.; and 'Accounting by electronic methods with particular reference to the auditor', by Mr J. W. Margetts, F.C.A. In addition, an informal talk was given by Mr B. Smallpeice, B.COM., F.C.A. The full text of the three formal addresses, together with the programme for the course, was subsequently reprinted in the form of a booklet for which an order form was sent to all members of the Institute on February 29th, 1960. The price of the booklet is 5s post free (*remittances to accompany orders*).

77. 1960. The fourteenth summer course, at Christ Church and Pembroke College, Oxford, is to be held from Thursday, September 15th to Tuesday, September 20th, 1960. Arrangements have been made for three addresses to be presented as follows: 'Auditing: the purpose and its attainment', by Mr D. D. Rae Smith, M.C., B.A., A.C.A.; 'The organization of a practising accountant's office', by Mr J. Perfect, F.C.A.; and 'Retirement benefit schemes', by Mr J. H. H. Nuttall, F.C.A. An application form was sent to all members of the Institute on February 29th, 1960. The closing date for the receipt of applications is April 30th, 1960.

78. *Future courses.* Provisional arrangements have been made for summer courses to be held in Oxford in the next six years as follows:

1961	..	..	July 13th to 18th.
1962	..	..	September 13th to 18th.
1963	..	..	July 11th to 16th.
1964	..	..	September 10th to 15th.
1965	..	..	July 15th to 20th.
1966	..	..	September 15th to 20th.

79. *Record of summer courses.* At the Council meeting on June 3rd, 1959, Mr W. L. Barrows, LL.D., F.C.A., kindly presented to the Institute, for display at future courses, a specially prepared record of the summer courses from their commencement in 1947.

Autumn Meetings

80. With great regret it was found necessary to cancel the autumn meeting which was to have been held under the auspices of the Manchester Society of Chartered Accountants (paragraph 88 of the last report).² The following statement was issued by the Council on May 20th, 1959:

'Owing to lack of support it has been decided with very much regret to cancel the autumn meeting which it had been proposed to hold in Blackpool in October 1959.'

'The Council intends to examine the whole question of the holding of such meetings in the light of present-day conditions with a view to determining the type and venue of meetings most likely in future to prove attractive and useful, particularly to the younger members of the Institute.'

District Societies of Chartered Accountants

81. *President's visits.* The President (with the Secretary or an Under-Secretary) has attended the annual dinners or

¹ See *The Accountant* of October 24th, 1959, page 365.

² See *The Accountant* of April 25th, 1959, page 507.

other annual functions of the district societies and has accepted invitations to meet local students during his visit. Other members of the Council have represented the Institute at dinners and other functions held by branches and students' societies.

82. *Annual conference.* The annual meeting of representatives of district societies and representatives of the Council took place on November 10th, 1959. The meeting provided an opportunity for a useful informal discussion on many matters of importance and interest.

83. *Branches.* The President attended the inauguration of the Beds, Bucks and Herts branch of the London and District Society at Luton on December 10th, 1959. This is the first group of that society to be accorded branch status.

84. *Grants.* A grant of £2,500 was made to the London and District Society for 1959 (compared with £2,000 for 1958) under the new arrangements announced in the last report (paragraph 94). The basis of making grants to the other district societies has been revised with effect from January 1st, 1960 (Appendix, page 96).¹ The principal changes are the payment of an amount of 25s (previously 20s) per head for the first 200 members of each recognized branch and a new additional allowance, where applicable, in respect of the cost of premises of district societies. It is intended to review the basis in 1962. Special grants were made during 1959 to the Leecs, Bradford and District Society and to the Sheffield Society to reimburse non-recurring expenditure.

85. *London and District Society of Chartered Accountants.* The Council appointed Mr D. L. Clarke, LL.B., F.C.A., Mr D. V. House, F.C.A., and Mr J. H. Mann, M.B.E., M.A., F.C.A., to serve on the committee of the London and District Society of Chartered Accountants for the year 1959-60.

Recommendations on Accounting Principles

86. Recommendation 21, *Retirement Benefits*, in the series of Recommendations on Accounting Principles, was distributed to members on February 29th, 1960² as part of Supplement No. 5 to the *Members' Handbook*. The Recommendation was released to the Press for publication on or after March 2nd, 1960. The new Recommendation has also been printed as Supplement No. 1 to the loose-leaf publication (December 1958 edition) *Recommendations on Accounting Principles*; copies may be purchased from the Institute at the price of 15s including postage. The price of the complete loose-leaf publication, containing all current Recommendations up to and including 21, is 10s including postage. (*Remittances must accompany orders.*)

Certificates required by Trade Associations and Other Bodies

87. At its meeting on August 5th, 1959, the Council authorized the publication of a statement (Appendix, page 98)¹ on *Certificates Required by Trade Associations and Other Bodies*. This has since been printed for insertion in section P of the *Members' Handbook* and distributed as part of Supplement No. 5 thereto.

Acceptance of Agencies for Financial Organizations

88. The following statement was authorized by the Council at its meeting on June 3rd, 1959, and published in *Accountancy* for June 1959 (and *The Accountant* of June 13th, 1959):

'The Council is aware that whilst for many years some members of the Institute have been accustomed to accept appointments as agents of building societies, insurance companies and other financial organizations, other members have made a practice of not accepting such agencies. Whilst not expressing at this stage any opinion on the relative merits of these differing practices the Council

desires to emphasize that before a member accepts an agency for any organization he should exercise due caution and in particular:

- (a) he should satisfy himself that the acceptance of the agency is not rendered inappropriate by reason of the nature of the services which the organization provides or the manner in which its services are or may be advertised, or the manner in which the name of the member or his firm will be publicized; and
- (b) where the organization concerned is one which invites the public to place funds in its hands by way of deposit, investment or otherwise, the member should take all reasonable steps to inform himself, by reference to accounts, reports and other available information, as to the apparent soundness of the financial position of the undertaking and as to whether it appears to be properly conducted.'

The statement has since been printed for insertion in section P of the *Members' Handbook* and distributed as part of Supplement No. 5 thereto.

Taxation

89. *Finance Act, 1959.* A memorandum (Appendix, page 100)¹ on the Finance Bill was submitted to the Chancellor of the Exchequer on May 6th, 1959.

90. *Overseas Trade Corporations.* At its meeting on December 2nd, 1959, the Council authorized the submission of a memorandum (Appendix, page 102)¹ on Overseas Trade Corporations to the Chancellor of the Exchequer. On one particular aspect of the legislation relating to Overseas Trade Corporations the Council had made representations in June 1959 and these were reiterated in the December memorandum.

91. *Schedule E: members' subscriptions to 'Accountancy'.* At its meeting on November 4th, 1959, the Council authorized the publication of a statement (Appendix, page 106)¹ regarding the allowance of subscriptions to *Accountancy* as a deduction from emoluments assessable under Schedule E.

92. *Schedule E: members' subscriptions to district societies.* In the last report (paragraph 103) the Council recorded that it had made an application under Section 16 of the Finance Act, 1958, on behalf of the district societies. The Council is not yet able to make any further statement.

93. *Guernsey.* On June 17th, 1959, the Secretary sent a letter to all members whose registered addresses were in Guernsey notifying them of a successful application for approval of the Institute for the purposes of Section 28 of the Income Tax (Amendment) (Guernsey) Law, 1959. That section is similar to Section 16 of the United Kingdom Finance Act, 1958 (allowance of subscriptions for Schedule E purposes).

94. *Penalty provisions of the Income Tax Acts.* At its meeting on December 2nd, 1959, the Council authorized the sending of a letter (Appendix, page 106)¹ to the Chairman of the Board of Inland Revenue in connection with the review of the penalty provisions of the Income Tax Acts.

95. *Notices of assessment: Schedule D.* At its meeting on November 4th, 1959, the Council authorized the submission of a memorandum (Appendix, page 107)¹ to the Chairman of the Board of Inland Revenue regarding the form of assessment notices under Schedule D.

96. *Section 23, Finance Act, 1956.* Representations were made in November 1959 to the Chairman of the Board of Inland Revenue for removal of an anomaly in Section 23 (3) of the Finance Act, 1956. The terms of the section are such that a taxpayer has to wait for a late assessment before paying a premium which can be related back to the year of assessment and this delay may result in loss of pension benefit which could have been obtained by earlier payment.

97. *Tribunals and Inquiries (Revenue Tribunals) Order, 1959.* The views of the Council were conveyed orally by

¹ Not reproduced.

² Reproduced in *The Accountant* of March 5th, 1960.

³ See *The Accountant* of August 15th, 1959, at page 68.

⁴ Reproduced on page 514 of this issue.

Mr D. A. Clarke, LL.B., F.C.A., to the Council on Tribunals prior to the making of the Tribunals and Inquiries (Revenue Tribunals) Order, 1959, which, broadly, exempts the General Commissioners, Special Commissioners and the Board of Referees from the requirement imposed by Section 12 (1) of the Tribunals and Inquiries Act, 1958, to furnish a statement of reasons for a decision if so requested on or before the giving or notification of the decision.

98. *Section 55, Finance Act, 1927.* The Commissioners of Inland Revenue have notified the Institute of a change (Appendix, page 111)¹ in their requirements in connection with applications for relief under Section 55 of the Finance Act, 1927.

99. *Members' Handbook.* The taxation section of the *Members' Handbook* (section Q) was distributed to members on April 5th, 1960, as Supplement No. 6 to the handbook.

Select Committee on Nationalized Industries

100. On behalf of the Council, Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., and Sir Thomas Robson, M.B.E., M.A., F.C.A., gave oral evidence on July 9th, 1959, to the Select Committee on Nationalized Industries. In doing so they reaffirmed the views expressed by the Council in 1952 in its memorandum entitled *Professional Accountants and Undertakings whose Accounts are Required by Statute to be Laid Before Parliament* (reproduced in the annual report for 1953)². In that memorandum the Council indicated important ways in which it considered that professional accountants could assist those responsible for the control of nationalized undertakings.

Building Societies

101. During 1959 the Chief Registrar of Friendly Societies revised the annual return, A.R.11, required of building societies. The new form embodies some of the suggestions made on behalf of the Council.

102. Building societies wishing to be designated under the House Purchase and Housing Act, 1959 (thereby achieving trustee investment status), were required to submit an application in prescribed form, supported by the auditor. Only eleven working days were allowed for the preparation of the application if a society wished to be included in the first list of designated societies. On behalf of the Council representations were made to the effect that it was unreasonable to expect that within this very short time an auditor would be able to make such examinations as were necessary to enable him to be satisfied with the information shown on the application.

103. At its meeting on December 2nd, 1959, the Council authorized the submission of a memorandum (Appendix, page 112)¹ on building societies to the Chancellor of the Exchequer for consideration in connection with the legislation which he intended to introduce. The memorandum was discussed with representatives of the Treasury on January 5th, 1960, and arising therefrom a supplementary memorandum (Appendix, page 117)¹ was submitted on January 7th, 1960. There was a further discussion at the Treasury on February 22nd, 1960, when representatives of the Building Societies Association were also present.

Company Law

104. The Council is engaged, with the assistance of the Taxation and Research Committee, on the preparation of a memorandum for submission to the Company Law Committee appointed by the President of the Board of Trade under the chairmanship of Lord Jenkins. The committee's terms of reference are:

"To review and report upon the provisions and working of the Companies Act, 1948, the Prevention of Fraud (Investments) Act, 1958, except in so far as it relates to industrial and provident societies and building societies,

and the Registration of Business Names Act, 1916, as amended; to consider in the light of modern conditions and practices, including the practice of take-over bids, what should be the duties of directors and the rights of shareholders; and generally to recommend what changes in the law are desirable."

Provincial Brokers' Stock Exchange

105. The Council was consulted by the Committee of the Provincial Brokers' Stock Exchange in connection with the drafting of Rule 218 relating to the preparation of balance sheets of members of that exchange. The text of the rule has been reproduced as part of Supplement No. 5 to the *Members' Handbook*.

Powers of Investment of Trustees

106. At its meeting on March 2nd, 1960, the Council authorized the submission of a memorandum (Appendix, page 120)¹ to the Chancellor of the Exchequer in connection with the White Paper (Cmd. 915) on *Powers of Investment of Trustees in Great Britain*.

Solicitors' Accounts

107. The Council was consulted by The Law Society in connection with the introduction of the Solicitors' Accounts (Amendment) Rules, 1959, which came into operation on July 1st, 1959. An explanatory memorandum was published in *The Law Society's Gazette* for May 1959 and copies thereof are issued by the Institute to members who apply for copies of the booklet concerning solicitors' accounts and the Accountant's (Certificate) Rules.

Taxation and Research Committee

108. *Meetings.* During the year 1959 the Taxation and Research Committee held six meetings, its four standing sub-committees held twenty-one meetings and thirteen special sub-committees held fifty-one meetings, making a total of seventy-eight meetings for the committee and seventeen sub-committees. (The total for 1958 was sixty-seven meetings.)

109. *Activities.* The Taxation and Research Committee was responsible for a great amount of the work in preparing the new Recommendation 21 on *Retirement Benefits* (paragraph 86), the statement on *Certificates Required by Trade Associations and Other Bodies* (paragraph 87), the memorandum on the Finance Bill (paragraph 89), the memorandum on Overseas Trade Corporations (paragraph 90), the representations on the penalty provisions of the Income Tax Acts (paragraph 94), the memorandum on Schedule D notices of assessment (paragraph 95), the representations on Section 23 of the Finance Act, 1956 (paragraph 96), and the representations concerning building societies (paragraphs 101 to 103). Other subjects remain under consideration, including the preparation of a memorandum for the Company Law Committee. The Taxation and Research Committee has received much assistance from the regional taxation and research committees of the district societies.

110. *Chairman and Vice-Chairman.* At its meeting in September 1959 the Taxation and Research Committee appointed Mr A. H. Proud, F.C.A., as Chairman for the year commencing October 1st, 1959, in succession to Mr E. N. Macdonald, D.F.C., F.C.A. Mr G. N. Hunter, F.C.A., was appointed Vice-Chairman.

111. *Council appointments.* The following twelve members were appointed by the Council to serve on the Taxation and Research Committee for the year commencing October 1st, 1959: Messrs L. H. Clark, F.C.A., H. O. H. Coulson, F.C.A., S. M. Duncan, F.C.A., W. F. Edwards, F.C.A., A. R. English, F.C.A., W. S. Hayes, F.C.A., R. O. A. Keel, F.C.A., G. P. Morgan-Jones, M.A., F.C.A., L. Pells, M.A., F.C.A., D. W. Robertson, F.C.A., W. G. A. Russell, F.C.A., and A. E. Spicer, B.A., F.C.A.

¹ Not reproduced.

² See *The Accountant* of October 24th, 1953, page 483.

Accountancy

112. The dispute in the printing trade made it impossible to publish the July 1959 issue of *Accountancy*. A combined July/August issue was subsequently published. The delivery of some 12,000 subscribers' copies of that issue was delayed through an extraordinary mistake of the Post Office and British Railways, whereby 121 bags were left in a railway van for about two weeks apparently in the belief that the van contained empty bags.

Advertising of Accountancy Services by Banks

113. The Council has continued, as occasion demands, to take up with banks cases where there has been what is considered to be advertising of accountancy services other than to their existing customers. A bank which had been making a reference to the address of its income tax department in Press advertisements has agreed to discontinue this practice.

Misuse of 'Chartered' Designation

114. The Council has taken appropriate action in any case reported to it of a person misdescribing himself as a chartered accountant. On November 11th, 1959, Mr Justice Cassels, in the Queen's Bench Division granted the Institute an injunction restraining a person who had ceased to be a member of the Institute in September 1957 from describing himself as a chartered accountant in connection with his business as an accountant or using the letters A.C.A.

Accountants Joint Parliamentary Committee

115. The Accountants Joint Parliamentary Committee has continued its work of watching all parliamentary matters relating to the qualification and status of auditors and has taken action on a number of Bills and Departmental Orders.

Chartered Accountants Joint Standing Committee

116. The Chartered Accountants Joint Standing Committee consisting of representatives of the Institute, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland, has continued to consider matters of common interest to the three institutes and is proving to be a valuable means of liaison between them.

117. The committee has established an Overseas Accountancy Examinations Advisory Board as explained in the following statement published in *Accountancy* for February 1960 [and *The Accountant* of February 13th, 1960], and by the other two institutes. The chairman of the Board is Mr W. G. Densen, F.C.A.

Chartered Accountants Joint Standing Committee**Overseas Accountancy Examinations Advisory Board**

"The Chartered Accountants Joint Standing Committee has established an Overseas Accountancy Examinations Advisory Board consisting of nine members of The Institute of Chartered Accountants in England and Wales, four members of The Institute of Chartered Accountants of Scotland and two members of The Institute of Chartered Accountants in Ireland. The Board has the following terms of reference:

- (i) to advise overseas countries, when requested, on the conduct of accountancy examinations;
- (ii) to take responsibility, where necessary, for the setting of overseas examination papers and the marking of candidates' answers, on the understanding that the country concerned would develop and organize its resources to enable it to assume full responsibility as soon as possible;
- (iii) to engage the services of examiners and moderators to enable the Board to undertake the foregoing responsibility.

"The Board's functions are thus to advise and assist overseas bodies in establishing and conducting their own

accountancy examinations, with such standards as those bodies may choose. These examinations will have no connection with those of any of the three chartered institutes and the examination papers of the institutes will not be used.

"The Board is required to charge such fees to the overseas bodies requesting assistance as will, except in special cases approved by the Chartered Accountants Joint Standing Committee, cover the expenses of the Board including the remuneration of its examiners and moderators.

"The Board has already entered into an arrangement with The Rhodesia Society of Accountants whereby that Society will receive the advice and assistance of the Board in connection with examinations which the Rhodesia Society intends to commence in 1962. Hitherto the students of the Rhodesia Society have taken the accountancy examinations set by the recognized examining bodies in the Union of South Africa but the growth of the profession in the Federation of Rhodesia and Nyasaland and the belief in its further expansion have, in the view of the Rhodesia Society, justified the making of arrangements for the conduct of its own examinations.

"The nature and extent of the assistance which the Board will be able to give to any particular country will depend upon the relevant circumstances in that country and are matters for detailed negotiation with the Board.

"Communications should be addressed to The Secretary, Overseas Accountancy Examinations Advisory Board, Chartered Accountants Joint Standing Committee, Moorgate Place, London, EC2."

118. As indicated in the preceding paragraph the Overseas Accountancy Examinations Advisory Board has entered into an arrangement with The Rhodesia Society of Accountants. An announcement made by that Society is reproduced in the Appendix, page 121.¹

119. As an interim arrangement during the initial stages the Board's incidental expenses are being met out of small loans, free of interest, made by the three institutes. The Board's finances will be managed by the Finance Committee of the Council of the English Institute, which provides the administrative services. The Board has appointed as its Secretary, Mr C. A. Evan-Jones, M.B.E., an Under-Secretary of the Institute.

**The Institute of Chartered Accountants
in Ireland**

120. The Council has been pleased to permit the use of the Library for reference and borrowing purposes in London by members of The Institute of Chartered Accountants in Ireland.

**The Association of Certified and Corporate
Accountants**

121. In the last report (paragraph 122)² the Council referred to the suggestion, made to the three chartered institutes by The Association of Certified and Corporate Accountants, that representatives should meet to consider whether any acceptable basis could be worked out for bringing the Association within the framework of integration. Exploratory meetings were held in October 1958 and January 1960, and at the second meeting it was agreed that no steps should be taken towards a scheme of integration of the Association with the three chartered institutes.

Overseas Bodies

122. *Eighth International Congress of Accountants*. In the last report (paragraph 124)³ reference was made to the announcement by The American Institute of Certified Public Accountants that the Eighth International Congress of Accountants will be held in New York from September

¹ Not reproduced.

² See *The Accountant* of April 25th 1959, page 510.

23rd to 27th, 1962. During his visit to the United States (paragraph 130) the Secretary discussed congress arrangements with members of the congress committee.

123. *Australia.* A Royal Charter was granted to The Institute of Chartered Accountants in Australia on June 19th, 1928. The Council is pleased to record that a supplemental Royal Charter, with new bye-laws, was granted to the Australian Institute by Her Majesty the Queen on June 17th, 1959. One of the changes made thereby is that the description 'chartered accountant (Aust.)' has now become 'chartered accountant' except that when a member of the Australian Institute uses the description outside the Commonwealth of Australia the suffix must be retained. This change is in accord with the view expressed to the Australian Institute by the Council some years ago.

124. *Canada.* The Vice-President, Mr S. J. Pears, F.C.A., represented the Institute at the fifty-seventh annual meeting of The Canadian Institute of Chartered Accountants held in Vancouver from September 13th to 16th, 1959.

125. *Denmark.* The President, Mr W. L. Barrows, LL.D., F.C.A., accompanied by Mrs Barrows, represented the Institute at the Accountants' Day of the Foreningen af Statsautoriserede Revisorer held in Copenhagen on May 14th, 1959, and conveyed the Council's cordial greetings on the celebration of the fiftieth anniversary of the first Danish Act relating to public accountants.

126. *India.* In May 1959 the President sent a message of condolence to The Institute of Chartered Accountants of India on the loss sustained by that Institute and the profession in India through the death of Mr S. Vaidyanath Aiyar while holding office as President. The Council was pleased to welcome the new President, Mr C. C. Chokshi, at the conclusion of its meeting on July 1st, 1959, when he was on a visit to this country. Mr N. R. Mody, B.COM., F.C.A., represented the Institute at a conference of the Indian Institute held in Bombay from December 24th to 27th, 1959.

127. *Natal.* In December 1959 the President sent the following message to the President of The Natal Society of Accountants:

'On behalf of the Council of The Institute of Chartered Accountants in England and Wales it gives me great pleasure to send greetings and congratulations on the occasion of the Golden Jubilee of the incorporation of The Natal Society of Accountants on December 18th, 1909. My Council sends you its best wishes for the future progress and prosperity of your Society.'

128. *Netherlands.* The President, Mr C. U. Peat, M.C., M.A., F.C.A., accompanied by his daughter, Mrs Avril Ropner, and the Secretary, accompanied by Mrs MacIver, represented the Institute at the Accountants' Yearday of the Nederlands Instituut van Accountants held in Scheveningen on October 3rd, 1959.

129. *New Zealand.* Mr T. A. Hamilton Baynes, M.A., F.C.A., and Mr F. W. Charles, C.B.E., F.C.A., represented the Institute at a convention of The New Zealand Society of Accountants held in Wellington from March 23rd to 30th, 1960. Mr Hamilton Baynes, on behalf of the Council and members of the Institute, conveyed to the New Zealand Society cordial good wishes on the celebration of its Golden Jubilee.

130. *United States of America.* The Secretary, accompanied by Mrs MacIver, represented the Institute at the seventy-second annual meeting of The American Institute of Certified Public Accountants held in San Francisco from October 24th to 29th, 1959.

Practice Rights Overseas

131. Legislation and other developments affecting the practice of accountancy and auditing in many countries overseas have been watched closely and continuously throughout the year. When necessary, representations have been made through the appropriate channels. Information and advice have readily been given in response to requests from overseas countries.

132. The Council cannot emphasize too often its belief that the ideal arrangement is reciprocity in all parts of the world of the right to practise under the professional designation which the individual accountant has obtained by suitable training, experience and examination, without restrictions on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence. The international nature of the profession is such as to require a liberal attitude towards world freedom of practice rights, if the profession is to be able to continue to serve adequately the business interests which depend upon it.

133. The Council believes that all forms of artificial barriers (by reference to nationality, residence, partnership association, firm names, or otherwise) are detrimental to the future development of the profession and to the interests of the countries imposing such barriers. In the past, over a long period of years, United Kingdom chartered accountants have taken a major part in the creation and development of an organized profession in many overseas countries; it is the Council's earnest hope that they will be enabled to continue to make a material contribution in this way.

The P. D. Leake Trust

134. *Reports and accounts.* At its meeting on December 2nd, 1959, the Council approved for publication a booklet containing the accounts of the P. D. Leake Trust for the year ended October 31st, 1959, with the seventh report by the Council on the administration of the trust and the seventh report by the P. D. Leake Committee on the application of the income. Any interested person may obtain a copy, without charge, on application to the offices of the Institute. A statement to that effect was published in *Accountancy* for December 1959 [and *The Accountant* of December 12th, 1959].

135. *Powers of investment.* Although the will of the late P. D. Leake gives power to retain existing investments, whether trustee investments or not, it affords no authority for the investment or reinvestment of funds otherwise than in trustee securities. The Council has considered it to be in the interests of the trust that existing non-trustee investments should be retained but the lack of authority to vary the equity investments in the light of changing conditions is handicapping the proper management of the portfolio and accordingly an application has been made to the Court for an extension of investment powers.

Library

136. *Activity.* The following figures show the extent to which the library has been used in recent years:

Year	Attendances	Books lent
1955	9,365	4,356
1956	9,339	4,513
1957	9,375	4,459
1958	11,295	6,783
1959	12,332	6,710

137. *Short list.* A new edition, dated August 1959, of the *Short List* of books in the library, including books available on loan, has been issued and supersedes the 1957 edition and the supplements thereto. The new edition was announced in *Accountancy* for November 1959 [and *The Accountant* of October 24th, 1959]. Copies of this list are available to members, without charge, from the Librarian on receipt of an addressed label. The *Short List* is sent to each new member on admission.

Appointments Register

138. The number of members who made use of the appointments register in 1959 was less than in 1958, but the number of those placed through the register was slightly higher than in 1958. The number of vacancies notified by employers again rose considerably and showed in the main

a wide demand for young members. Assistance in finding employment for older members is always welcome. Members are particularly requested to bring the facilities provided through the register to the notice of prospective employers, especially when a high-level appointment is being made.

The Chartered Accountants General Charitable Trust

139. The Chartered Accountants General Charitable Trust was created in 1955. Grants from the trust are made to chartered accountant students' societies and joint tuition committees and to other charitable causes with which the Council may from time to time wish to associate the Institute. Under three deeds of covenant the Institute is making total payments to the trust of £1,700 per annum less tax (seven annual payments of £300 under deed December 21st, 1955, eight annual payments of £700 under deed August 1st, 1956, and seven annual payments of £700 under deed July 3rd, 1957). The accounts of the trust appear at page 72.

Capel House (Medcalf) Trust

140. Reference was made in the last report (paragraph 135) to the Capel House (Medcalf) Trust which was created in 1953 by the late Col. S. A. Medcalf, O.B.E., T.D., D.L., who settled Capel House, Enfield, with certain investments, on trust for the education of students and members of The Society of Incorporated Accountants. On the application of the trustees the High Court has declared the trusts to be valid charitable trusts and has ordered a *cy pres* scheme.

Retirement Benefit Schemes for Members and their Employees

141. *Chartered Accountants Retirement Benefits Scheme (known as CARBS)*. This scheme provides retirement benefits for members who are self-employed or otherwise within the ambit of Section 22 of the Finance Act, 1956. The accounts of the scheme for the year to May 31st, 1959, are reproduced in the Appendix, page 123.¹ They show contribution income of £123,548, bringing the aggregate since the inception of the fund to £315,979.

142. *Chartered Accountants Employees Superannuation Scheme (known as CAESS)*. This scheme enables practising members of the Institute to set up contributory retirement benefits schemes for their staff within a standard framework. The accounts of the scheme for the year to May 31st, 1959, are reproduced in the Appendix, pages 124 and 125.¹ The scheme provides a participating firm, however small, with the advantage of the financial stability of a large scheme and it has been widely used. On March 31st, 1960, there were 789 individual members of the scheme from 156 participating firms.

143. *The cost of CARBS and CAESS*. As in the previous year the Council has thought it proper to charge the two funds in respect of Institute staff time devoted to their administration. Accordingly, the accounts of the schemes to May 31st, 1959 show charges of £1,000 to CARBS and £250 to CAESS. Both amounts have been paid to the Institute and the balances of the respective loan accounts therefore remain unaltered. Neither the directors of Chartered Accountants Trustees Ltd, who are trustees of both schemes nor the Council will agree to any payment from either scheme in reduction of the outstanding balance unless they are satisfied that the solvency of the scheme would not be affected thereby.

144. *CAESS - National Insurance Act, 1959*. The CAESS committee is at present examining the question of an alteration of the trust deed and rules which would render the benefits of the scheme 'equivalent pension benefits' for the purposes of the National Insurance Act, 1959, and thereby permit participating firms to contract out of the graduated scheme of State pensions if they wish to do so.

Chartered Accountants Trustees Limited

145. Chartered Accountants Trustees Ltd has continued to act as trustee of CARBS, CAESS and the Staff Pensions Fund and to administer the Merrett estate. The report of the directors and the accounts of the company to May 31st, 1959, appear in the Appendix, pages 126 and 127.¹

146. As mentioned in the last report (paragraph 140), Chartered Accountants Trustees Ltd and Chartered Accountants Benevolent Association Trustees were appointed joint executors and trustees of the estate of the late H. C. Merrett, F.C.A., who died on October 12th, 1958. The latter company was unable to act without an alteration of its constitution and accordingly Chartered Accountants Trustees Ltd is proceeding with the administration of the estate, acting through two officers of the Institute as nominees.

Institute Staff Pensions

147. *Accounts*. The accounts of the Staff Pensions Fund appear at pages 66 and 67 [page 512 of this issue]. The Institute's annual contribution for 1959 was (as in 1958) at the rate of 14 per cent on salaries of all staff who are members of the fund.

148. *Actuarial valuation*. An actuarial valuation was due to be made not later than December 31st, 1961, but in view of the considerable staff reorganization consequent upon the Scheme of Integration, the trustees decided to have an actuarial valuation as on December 31st, 1959. This shows an effective surplus of £26,000 which the actuary attributes almost wholly to the appreciation in the value of the assets of the fund.

Office Accommodation

149. A lease has been taken of a suite of offices at 55 Moorgate and most of the Institute staff were transferred to their new accommodation there in December 1959. This has greatly improved their working conditions. The library and members' room remain at Moorgate Place and some of the staff are also there. Other staff at present in temporary accommodation elsewhere will be transferred to Moorgate Place, which is still the address of the Institute. The long-term problem of accommodation remains under active consideration.

Liquidation of The Society of Incorporated Accountants

150. *Progress*. The liquidation of The Society of Incorporated Accountants has been substantially completed but there are certain outstanding matters which are delaying the final winding-up. A general meeting of members of the Society was held on January 27th, 1960, when the joint liquidators' statement on the conduct of the winding-up proceedings up to October 31st, 1959, was approved and Mr C. A. Evan-Jones, M.B.E., an Under-Secretary of the Institute, was appointed a liquidator in place of Mr I. A. F. Craig, O.B.E., B.A., who resigned from his appointment as a liquidator.

151. *Hall of the Society*. As stated in the last two reports the Council decided, with regret, that the Society's hall should be sold and in July 1959 the joint liquidators were successful in selling it for £168,000.

152. *South African branches*. There was some doubt in law as to whether the joint liquidators of The Society of Incorporated Accountants could properly disclaim the assets held by its three branches in South Africa. In order to remove this doubt it was considered desirable that the liquidators should assign to the Institute such interest, if any, as the Society had in those assets and that the Institute should then divest itself of any such interest by assigning it to the branches in South Africa. A formal resolution to enable this to be done will be submitted by the Council to the annual meeting of the Institute on May 4th, 1960. Meanwhile, the liquidators have been informed that, subject to the resolution being passed, the assignment they have made to the Institute will not involve any request for the transfer

¹ Not Reproduced.

of the assets from South Africa to the United Kingdom. The estimated amount of the assets after allowing for expenses of dissolution of the branches is about £3,800. It is intended that on dissolution of the branches these assets shall be transferred in trust to the Joint Council of the Societies of Chartered Accountants of South Africa to be used in ways which will benefit the profession in that country.

153. *History of the Society.* Mr A. A. Garrett, M.B.E., M.A., who was for many years Secretary of the Society, has written a history of the Society and this is to be printed by the Oxford University Press in a limited edition. It is not expected to be available before the end of 1960. Members of the Society were notified of this forthcoming publication when notices were issued calling the liquidation meeting referred to in paragraph 150 above and they were invited to submit orders. Having regard to the arrangement made between Mr Garrett and the Society prior to the Scheme of Integration the Council has agreed that the Institute shall finance this publication and receive the proceeds of sale.

154. *The Society of Incorporated Accountants Ltd (South Africa).* In October 1957 The Society of Incorporated Accountants Ltd was formed in South Africa with the object of assisting in the protection of the description 'incorpor-

ated accountant' and the letters F.S.A.A. and A.S.A.A. The company has an authorized capital of £50 divided into shares of one penny and in due course the whole of the share capital will be held by the Institute with the exception of the shares held by incorporated accountants in South Africa. The Institute will therefore hold substantially the whole of the shares. The formation expenses have been reimbursed by the joint liquidators of the Society out of the funds of the Society. The Council has notified the company that it is the intention that the Institute shall reimburse the small annual expenses which the company will have to incur in connection with its annual accounts and returns and other formal activities.

Accounts

155. The audited accounts for 1959 accompany this report. They show that income exceeded expenditure by £52,862, compared with the 1958 deficit of £63,609.

156. The Institute received from the joint liquidators during 1959 substantially the whole of the net assets of The Society of Incorporated Accountants and repayment of the advances made to the joint liquidators by the Institute during 1958 and 1959 to finance their disbursements. The

SUBSCRIPTIONS FOR THE YEAR ENDED 31st DECEMBER 1959

£	1958	£	Members in Practice	£	£
<i>Fellows</i>					
* 21,746	2,071	2,100 at £15 15 0	..	33,075	
* 28,820	3,431	3,502 at £12 12 0	..	44,125	
* 679	97	63 at other rates	..	743	
<i>Associates</i>					
* 5,644	1,075	1,092 at £10 10 0	..	11,466	
* 13,457	3,204	3,262 at £8 8 0	..	27,401	
* 647	167	183 at other rates	..	1,036	
<i>Incorporated Accountant Members</i>					
31	6	3 at £5 5 0	..	16	
139	33	21 at £4 4 0	..	88	
		3 at other rates	..	12	
71,163				117,962	
<i>Members not in Practice</i>					
<i>Fellows</i>					
* 2,053	391	412 at £7 7 0	..	3,023	
* 14	3	4 at other rates	..	25	
<i>Associates</i>					
* 44,519	14,133	14,976 at £5 5 0	..	78,623	
* 1,230	765	773 at other rates	..	2,084	
<i>Incorporated Accountant Members</i>					
2,668	847	823 at £3 3 0	..	2,593	
30	17	3 at other rates	..	5	
50,514				86,358	
<i>Members not resident in England or Wales</i>					
<i>Fellows</i>					
* 1,088	259	273 at £5 5 0	..	1,433	
* 12	4	7 at other rates	..	29	
<i>Associates</i>					
* 5,130	2,443	2,556 at £3 3 0	..	8,051	
9	9	28 at other rates	..	45	
<i>Incorporated Accountant Members</i>					
515	245	246 at £2 2 0	..	517	
634	604	646 at £1 1 0	..	678	
16	23	14 at other rates	..	8	
7,404				10,761	
<i>Reduced subscriptions: bye-law 43</i>					
<i>Retired Members</i>					
981	934	1,081 at £1 1 0	..	1,135	
<i>Members on national service</i>					
848	808	753 at £1 1 0	..	791	
1,829				1,926	
* NOTE.— Certain subscriptions were increased from January 1st, 1959.					
£130,910	Total carried to Income and Expenditure Account £217,007				

EXAMINATION ACCOUNT MAY AND NOVEMBER 1959

£	1958	£	INCOME	£	£
<i>Institute examinations</i>					
1,621	386	Preliminary	415 at £4 4 0	1,743	
15,225	2,900	Intermediate	3,413 at £5 5 0	17,918	
14,966**	2,183	Final	2,548 at £7 7 0	18,728	
<i>Society examinations</i>					
3,908**	845	Intermediate	538 at £5 5 0	2,825	
<i>Final</i>					
5,472	1,303	Part I or II	855 at £4 4 0	3,591	
397	54	Part I and II	84 at £7 7 0	250	
384	61	South African Special Final	38 at £6 6 0	239	
41,574				45,294	
**NOTE.— Certain fees were increased for the November 1958 and subsequent examinations.					
<i>DIRECT EXPENDITURE</i>					
<i>Fees of Examiners, Moderators and Invigilators</i>					
28,561			..	29,711	
4,375		<i>Hire of rooms</i>	..	5,352	
7,971		<i>Printing and stationery</i>	..	6,300	
316		<i>Publicity</i>	..	292	
2,388		<i>Sundries</i>	..	2,761	
43,611				44,416	
<i>Less Contributions by:</i>					
<i>The Institute of Chartered Accountants of Scotland</i>					
645			439		
<i>The Institute of Chartered Accountants in Ireland</i>					
1,202			1,055	1,494	
1,847				42,922	
41,764					
<i>Prizes</i>					
			..	92	
<i>Less Grant from Institute Prize Trust</i>					
			..	92	
<i>Balance transferred to Income and Expenditure Account</i>					
210			..	2,372	
NOTE.— The expenditure charged in this account does not include any charge in respect of the substantial amount of time which the Institute's staff devotes to examination work or in respect of the use of the Institute's premises.					
£41,974	£41,974			£45,294	£45,294

¹ Not reproduced.

BALANCE SHEET, 31st DECEMBER 1959

1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958	1958
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1958	£	1958	£
195,873		372,211	
		Brought forward	£
			372,211

by are adequate to provide insurance to cover the remaining liabilities of the Society.

On behalf of the Council,

C. U. PEAT

£390,183

REPORT OF THE AUDITORS TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

We have examined the above balance sheet and annexed income and expenditure account which in our opinion respectively give a true and fair

L. W. BINGHAM

LEONARD PELLE

Chartered Accountants.

6th April 1960.

The Institute of Chartered Accountants in England and Wales
SCHEDULE OF INVESTMENTS, 31st DECEMBER 1959

1958 £	Holding	Cost £	Middle market value £
FIXED INTEREST			
—	3% Savings Bonds, 1955-65	9,237	9,250
VARIABLE DIVIDEND			
Insurance companies and banks			
3,090	Commercial Union Assurance Co. Ltd. 5s. Shares	3,090	7,177
3,159	General Accident, Fire and Life Assurance Corp'n. Ltd. Ordinary Stock	4,538	11,550
3,013	Legal and General Assurance Society Ltd. 5s. Shares	3,613	12,622
3,394	Northern Assurance Co. Ltd. £1 Ordinary Shares	3,394	6,250
3,078	Royal Insurance Co. Ltd. Stock	3,078	6,625
3,605	Royal Bank of Canada \$10 Shares of Capital Stock	3,605	5,490
19,939		21,318	49,714
Investment trusts			
3,033	Alliance Trust Ltd. Ordinary Stock	3,033	18,270
—	Atlas Electric and General Trust Ltd. Ordinary Stock	8,262	11,325
1,295	British Assets Trust Ltd. Ordinary 5s. Shares	1,295	11,200
2,421	Continental Union Trust Ltd. Ordinary 5s. Shares	2,421	10,313
4,350	Edinburgh & Dundee Investment Trust Ltd. Ordinary Stock	4,350	13,750
—	Edinburgh Investment Trust Ltd. Deferred Stock	8,570	11,000
3,344	Foreign and Colonial Investment Trust Ltd. Ordinary Stock	11,357	20,252
—	International Investment Trust Ltd. 5s. Shares	11,770	12,060
1,710	Investors Mortgage Security Co. Ltd. Ordinary Stock	1,710	7,680
—	Lake View Investment Trust Ltd. Ordinary Stock	6,229	6,406
2,064	London & Clydesdale Trust Ltd. Ordinary 5s. Shares	2,064	7,020
3,164	Scottish Mortgage & Trust Co. Ltd. Ordinary Stock	3,164	8,330
—	Second Scottish Investment Trust Co. Ltd. 5s. Shares	9,827	11,063
—	Southern Stockholders Investment Trust Ltd. Ordinary Stock	10,444	11,150
—	Sphere Investment Trust Ltd. Ordinary £1 Shares	8,351	10,469
—	Sterling Trust Ltd. Ordinary Stock	8,304	9,375
—	United States Debenture Corporation Ltd. Ordinary Stock	9,165	8,850
2,115	Witan Investment Co. Ltd. Ordinary £1 Shares	5,099	9,280
23,496		7,497	7,550
		122,912	205,043
Industrial			
<i>Vickers Ltd. Ordinary Stock</i>			
1,957	British South Africa Company Registered Stock	2,289	5,744
2,239	Ford Motor Co. Ltd. Ordinary Stock	2,463	6,600
2,463	Imperial Chemical Industries Ltd. Ordinary Stock	2,175	4,575
2,175	Shell Transport & Trading Co. Ltd. Ordinary Stock	2,603	6,400
2,603	Stewarts and Lloyds Ltd. Ordinary £1 Shares	2,282	5,850
1,934	Turner & Newall Ltd. Ordinary Stock	1,934	4,499
13,421		16,746	33,668
£56,856		£170,213	£297,675

PRIZE AND SCHOLARSHIP TRUSTS, 31st DECEMBER 1959

PRIZE FUND		INVESTMENTS			INCOME ACCOUNTS FOR 1959			
	Holding	Cost Capital Income £	Balance 31st December 1958 £	Receipts £	Payments £	Balance 31st December 1959 £		
Robert Fletcher	Manchester Corporation 4% Consolidated Stock { £1,115 £32	1,056	32	46	35	43		
Deloitte	Blackburn Corporation { £1,700 3½% Irredeemable Stk. { £200	1,427	226	66	65	227		
William Quilter	Manchester Corporation 4% Consolidated Stock £262	213	5	10	10	5		
Frederick Whinney	Bristol Corporation 3½% Debenture Stock £1,080	900	19	38	38	19		
Walter Knox	Manchester Corporation 4% Consolidated Stock £695	659	14	28	28	14		
Theodore Gregory	Manchester Corporation 4% Consolidated Stock £490	464	20	20	20	20		
Stephens	Bristol Corporation { £2,630 3½% Debenture Stock { £40	2,190	70	94	105	59		
West	Manchester Corporation 4% Consolidated Stock £355	336	7	14	14	7		
W. B. Peat	Manchester Corporation 4% Consolidated Stock £1,810	1,709						
	Bristol Corporation 3½% Debenture Stock £400	334						
O. C. Railton	Manchester Corporation 4% Consolidated Stock £94	89	43	86	86	43		
Roger N. Carter	Manchester Corporation 4% Consolidated Stock £578	547	4	4	4	4		
Plender	Manchester Corporation 4% Consolidated Stock £2,290	2,169	11	23	23	11		
Tom Walton	Manchester Corporation 4% Consolidated Stock £440	418	47	91	91	47		
Fl./Lieut. Dudley Hewitt, D.F.C.	Manchester Corporation 4% Consolidated Stock		9	18	18	9		
	Treasury 2½% Stock .. £400	270†	5	10	10	5		
		12,781	£512	£548	£547	£513		
		£226						

Note: W. B. Peat Memorial Scholarship Fund.

The Chartered Accountants Benevolent Association receives the income of this fund for educational and other purposes in accordance with the terms of the trust and publishes an annual account of its application.

† At value when received in trust.

The Institute of Chartered Accountants in England and Wales

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1959

1958		1958		1958	
£	£	EXPENDITURE	£	INCOME	£
		Establishment		Admission Fees	
6,723	527	Rents and rates	10,687	1,527 at £10 10 0	16,034
9,685		Insurance	614		
1,691		Housekeeping, fuel, lighting	8,470	Fellowship Fees	
4,866		Repairs to hall and offices	3,135	251 at £5 5 0	1,318
1,220		Furniture, fittings and equipment	8,275		
114		Depreciation of building	1,220	Subscriptions	
		Amortisation of lease	114	Per schedule page 64	217,007
24,826			32,515		
		Administration		Fines on re-admission	75
74,955		Salaries	68,859	Total income from members	234,434
8,572		Staff pensions fund—annual contribution	8,674		
—		<i>Ex gratia</i> payments to former employees	300		
1,880		Library	2,207	Income from Investments	8,738
15,705		List of members—printing and distribution	18,432		
14,280		Printing and stationery	17,072	Sale of Publications	
6,992		Postage, carriage, telephone	6,885	Recommendations on Accounting Principles	1,007
6,711		Legal and other professional charges	5,016	'Standard Costing'	314
1,050		Audit fees	1,050	'Business Efficiency'	220
4,010		Sundries	5,812	Summer Course booklets	129
134,155			134,307	Other publications	827
		Travelling			2,497
4,316		Members of the Council	4,047	Exemption Fees—Preliminary Examination	8,231
1,510		Members of the Taxation and Research Committee	1,741		
88		Delegates to meetings abroad	1,859		
5,914			7,647		
37,476		Members' Handbook	9,687		
3,122		Publicity and Hospitality	3,634		
12,291		Grants to District Societies	11,752		
1,026		Summer Course, Christ Church and Merton College, Oxford	863		
1,411		Autumn Meeting			
220,221			200,405		
		Carried forward	164,194	Carried forward	253,900

The Institute of Chartered Accountants Staff Pensions Fund
BALANCE SHEET, 31st DECEMBER 1959

1958 £	1958 £	1958 £	1958 £
Accumulated Fund			
100,863	Balance 31st December 1958	122,997	Investments at cost:
8,572	Annual contribution by the Institute for 1959	8,674	Per schedule pages 68 and 69
	Special contribution on entry to the fund:		(Value at middle market prices £220,709)
	By the entrant		£139,176
	By the Institute	4,287	Deposit
	Investment and deposit income, less irrecoverable in- come tax	6,091	<i>North Central Wagon and Finance Co. Ltd.</i>
5,124	Surplus on realisation of investment	419	Net Current Assets
462	<i>Investment provision no longer required</i>		Amount recoverable from the Institute
11,434		19,471	Recoverable income tax
			Bank balance
			5,422
126,455		142,468	Less Creditors
			77
			5,465
2,739	Pensions	2,955	
412	Gratuities on retirement	423	
	Payments to members on leaving the fund (being their accumulated contributions previously transferred from the Society of Incorporated Accountants Staff Superannuation Scheme)	1,443	
307		4,821	
3,458			
122,997	Balance 31st December 1959	137,647	

NOTE.—The annual contribution made by the Institute for 1959 was at the rate of 14 per cent of salaries. The benefits are mainly based on salaries in the closing years of service and the Institute has the right to close the fund. An actuarial valuation as on 31st December 1959, made on the basis that the annual contributions would continue at 14 per cent, showed a surplus of £32,012, after including £5,854 due from the Institute in respect of a special contribution. On the recommendation of the actuary the surplus has been reduced to £26,158 by treating £5,854 as a payment in satisfaction of the above mentioned special contribution. The next valuation is due to be made not later than 31st December 1964.

On behalf of Chartered Accountants Trustees Limited
as trustee,
P. V. ROBERTS } *Directors*
R. P. MATTHEWS }

£122,997	£137,647	£122,997	£137,647
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REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE

We have examined the above balance sheet which in our opinion gives a true and fair view of the state of affairs of the Staff Pensions Fund as at 31st December 1959 and of its transactions for the year ended on that date.

L. W. BINGHAM
LEONARD PELLIS

The Institute of Chartered Accountants Staff Pensions Fund
SCHEDULE OF INVESTMENTS, 31st DECEMBER 1959

1958 £	Holding	Cost £	Middle market value £
FIXED INTEREST			
2,996	3½% Funding Stock, 1999-2004 ..	2,996	3,289
21,934	British Gas 4% Stock, 1969-72 ..	21,934	19,910
4,675	British Transport 4% Stock, 1972-77 ..	4,675	4,412
29,605		29,605	27,611
VARIABLE DIVIDEND			
Insurance companies			
—	Commercial Union Assurance Co. Ltd. 5s. Shares	5,177	7,504
—	Eagle Star Insurance Co. Ltd. 10s. Ordinary Shares	6,192	10,004
3,817	Guardian Assurance Co. Ltd. 5s. Ordinary Shares	3,817	6,150
4,525	Prudential Assurance Co. Ltd. 4s. 'A' Shares ..	4,525	8,812
8,342		19,711	32,470
Investment trusts			
4,956	American Trust Co. Ltd. Ordinary Stock ..	4,956	10,175
5,250	Atlas Electric and General Trust Ltd. Ordinary Stock ..	5,250	14,156
4,037	Continental Union Trust Ltd. 5s. Ordinary Shares ..	4,037	8,594
3,783	Debuture and Capital Investment Trust Ltd. 5s. Ordinary Shares	3,783	6,600
3,307	Embankment Trust Ltd. Ordinary Stock ..	3,307	6,234
8,824	Great Northern Investment Trust Ltd. Ordinary Stock	8,824	19,998
5,428	Guardian Investment Trust Co. Ltd. 5s. Ordinary Shares	5,428	10,730
7,800	Industrial and General Trust Ltd. 5s. Ordinary Shares ..	7,800	15,863
6,813	Investment Trust Corporation Ltd. 5s. Ordinary Shares	6,813	13,125
—	London Trust Co. Ltd. Deferred Stock ..	4,411	7,200
5,574	Rio Claro Investment Trust Ltd. Ordinary Stock ..	5,574	11,375
6,311	Trust Union Ltd. £1 Ordinary Shares ..	6,311	11,800
62,033		66,494	135,850
Industrial			
4,910	<i>British American Tobacco Co. Ltd. Ordinary Stock</i>		
—	Great Universal Stores Ltd. 'A' Ordinary Stock ..	5,244	8,618
5,615	Imperial Chemical Industries Ltd. Ordinary Stock ..	5,615	9,760
5,513	Shell Transport & Trading Co. Ltd. Ordinary Stock	5,513	6,400
16,038		16,372	24,778
£116,068		£132,182	£220,709

PENALTY PROVISIONS OF THE INCOME TAX ACTS

Letter dated December 2nd, 1959, submitted on behalf of the Council to the Chairman of the Board of Inland Revenue

Reproduced from the appendix to the Institute's annual report.

In response to the request contained in a letter dated October 2nd, 1959, from Mr R. Willis, seeking the views of the Institute on the penalty provisions of the Income Tax Acts, the Council desires me to inform you that it considers that there is nothing substantially wrong in the practical application of the provisions for countering tax evasion. The Council considers however that the comments made in its memorandum submitted in March 1952 to the Royal Commission on the Taxation of Profits and Income are still applicable to the penalty provisions then in force. The comments are in paragraphs 256-268 of Part B of the memorandum and it is noted from Mr Willis's letter that these are already available to the Board. For convenience however the submissions made in paragraph 268 of the memorandum are repeated here:

'The penalty provisions of the Income Tax Acts should be reviewed with the object of:

- (a) removing doubts as to the circumstances in which immunity from penalty proceedings is available
- (b) giving immunity from criminal proceedings in cases where a full disclosure is voluntarily made before any proceedings or inquiries have been commenced
- (c) relating monetary penalties to the amount of the under-payment of tax
- (d) removing any provisions under which any person is deemed guilty unless he proves himself innocent.'

Those submissions are applicable also to penalties which have been introduced since the memorandum of March 1952 was submitted. Penalties in respect of the following have been introduced by subsequent Finance Acts:

investment allowances - failure to give notice of

certain transactions (Finance Act, 1954, Second Schedule, paragraph 3)

fees, commissions, etc. - failure to deliver a return if required (Finance Act 1956, Section 20 (6))

retirement and other annuities - a false statement or false representation to obtain any relief or repayment of tax under Part III, Finance Act, 1956, (Finance Act, 1956, Section 28 (5))

Overseas Trade Corporations - failure to comply with statutory regulations (Finance Act 1957, Section 34 (2))

Overseas Trade Corporations - failure of liquidator to provide for income tax before distributing assets (Finance Act, 1957, Sixth Schedule, paragraph 4 (2))

incorrect accounts (Finance Act, 1958, Section 24).

The Council approves the views expressed in paragraphs 1070 and 1071 of the final report of the Royal Commission.

The Board of Inland Revenue will be aware of the following comment which appears in the Council's statement on 'Unlawful acts or defaults by clients of members':

'A member should regard himself as having a professional obligation to urge upon a client, in the client's own interests, the importance of making a full disclosure and authorizing the member to proceed, where necessary, with "back duty" negotiations.'

The Board will appreciate that the likelihood of obtaining the desired response would be increased if the submissions which the Council made to the Royal Commission, particularly items (b) and (c), were implemented.

Notes and Notices

THE INSTITUTE'S SUMMER COURSE

Members of the Institute of Chartered Accountants in England and Wales are reminded that April 30th, 1960, is the closing date for applications to attend the summer course to be held at Christ Church and Pembroke College, Oxford, next September.

PROFESSIONAL NOTICES

MESSRS C. PERCY BARROWCLIFF & Co, Chartered Accountants, announce the removal of their offices in Middlesbrough from 55/57 Albert Road to 68/70 Corporation Road, but the telephone number, 3707, remains the same.

MESSRS NEVILL, HOVEY, GARDNER & Co, Chartered Accountants, of 94 Old Broad Street, London, EC2, and at Brighton, announce that they have taken into partnership Mr CYRIL FRANCIS DASHWOOD, A.C.A., who served his articles with them and has been a member of their staff for many years. The style of the firm remains unchanged.

MESSRS ROWLEY PEMBERTON & Co, Chartered Accountants, of 9 Bishopgate, London, EC2, announce that they have admitted into partnership on April 6th, 1960. Mr O. B. HARRIS, A.C.A., Mr M. W. KEMP, A.C.A., Mr J. N. CLARKE, A.C.A., and Mr C. B. COOP, A.C.A. The partnership will continue from the same address as before.

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REVALUATION OF ASSETS

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MESSRS LITTON, POWNALL, BLAKEY & HIGSON, MESSRS ASTBURY, MITCHESON & MILLER, of 42 Spring Gardens, Manchester 2, and MESSRS DRYDEN, DORRINGTON & CO, of Prince's Chambers, 26 Pall Mall, Manchester, 2, announce that as from April 11th, 1960, they have arranged for their practices to be run in conjunction from 42 Spring Gardens, Manchester, 2. The partners of all firms will be MESSRS JAMES BLAKEY, F.C.A., CLARENCE RUTTER, F.C.A., JOHN D. THORNLEY, B.A., F.C.A., HUGH MCCREERY, F.C.A., WALTER S. ECCLES, A.C.A., and also Mr GRALAM CUNLIFFE, A.C.A., who has for several years been employed as a senior clerk by LITTON, POWNALL, BLAKEY & HIGSON. Mr NORMAN DORRINGTON, F.C.A., the retiring partner of DRYDEN, DORRINGTON & CO, will remain in a consultative capacity to all three firms.

Mr T. G. HARRISON, M.B.E., F.C.A., announces that the firm of T. G. HARRISON & CO Chartered Accountants, is now established at 52 Lime Street, London, EC3.

Appointments

Mr C. F. Watts, F.C.A., has been appointed a director of Wickman Ltd.

Mr W. E. J. Miles, F.C.A., has been appointed secretary of The Bowater Paper Corporation Ltd.

Mr N. F. Wood, A.C.A., has been appointed a director of C. W. Pittard & Co Ltd.

Mr M. B. L. Buck, A.C.A., has been appointed chief accountant of Hargreaves (Leeds) Ltd.

Mr P. C. Saltmarsh, B.A., A.C.A., has been appointed to the board of W. H. Allen, Sons & Co Ltd.

Mr C. A. Westwick, B.Sc.(ECON.), A.C.A., has been appointed an executive of the Centre for Interfirm Comparison, established by the British Institute of Management in association with the British Productivity Council.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee of The Chartered Accountants' Benevolent Association the chair was taken by Sir William Carrington, F.C.A., the President of the Association, and eight members were present.

Applications for Assistance

Three new applications for assistance were considered; in two cases a grant was made and in the third case a donation was given.

Eighteen cases for further assistance were considered. In eleven cases the grant was renewed; in six cases the grant was increased and in one case the grant was reduced owing to improved circumstances.

Special Fund

One application for further assistance was considered and the grant renewed.

Matters Reported

The Hon. Secretary reported changes in the circumstances of seven beneficiaries; in three cases the grants were adjusted or donations made; in four cases assistance was no longer needed owing to improved circumstances.

The death of two beneficiaries was reported; one, aged 91, had been assisted by the Association for twenty-three years.

STATE GRADUATED PENSION SCHEME Collection through P.A.Y.E. System

Detailed arrangements for the collection of graduated pension contributions by the Inland Revenue through the P.A.Y.E. system, including the returns to be made by employers, are the subject of draft regulations¹ published on April 12th. The Minister of Pensions and National Insurance has asked the National Insurance Advisory Committee to consider and report to him on these draft regulations.

The National Insurance Act, 1959, provides for a graduated pension contribution of 4½ per cent each by employer and employee on that part of an employed person's remuneration which lies between £9 and £15 a week, unless he is contracted out as a member of an occupational scheme satisfying certain conditions. The contributions are due to commence next April.

The draft regulations make the procedure for collecting graduated contributions correspond with the P.A.Y.E. tax procedure, so that the existing P.A.Y.E. system can be used for both tax and graduated contributions. There will be a single extra column on the P.A.Y.E. deduction card in which employers will enter their employees' graduated contributions; the rules governing deduction of these contributions from the employees' pay are laid down in the regulations. Employers will send the money (with their own matching contributions) to the Collector of Taxes monthly, along with their employees' income tax; and they will make end-of-year returns of the graduated contributions, normally on the same forms as the P.A.Y.E. income tax returns.

The preliminary draft regulations on the assessment of graduated contributions are already before the National Insurance Advisory Committee, having been referred to them on February 9th. Together, the two sets of regulations contain the rules for employers to follow in operating the new graduated scheme. A comprehensive employers' guide will be issued well before the new scheme starts in April 1961.

Only the graduated part of the contribution will be paid through the P.A.Y.E. system. Contributions for the flat-rate pensions and benefits will continue to be paid by stamping cards (and by the alternative methods approved for large employers). Use of the P.A.Y.E. system is not therefore proposed for collecting any

¹The draft National Insurance (Collection of Graduated Contributions) Regulations, 1960. H.M.S.O. 6d.

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contributions of those contracted out of the graduated part of National Insurance retirement pensions. Nor will the self-employed or non-employed be affected.

The National Insurance Advisory Committee have announced that they will consider representations on the draft regulations received by them not later than May 10th, 1960. Representations should be made in writing and should be sent to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London, WC2.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Discussion Group

The next meeting of the Manchester Discussion Group will be held at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, at 5.45 p.m. for 6 p.m. on Tuesday next, April 26th. The subject for discussion will be 'The Budget'.

New members are welcomed and further information may be obtained from the Group Hon Secretary, Mr J. G. Shepherd, F.C.A., at the above address.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Week-end Course at Cambridge

The London Students' Society's spring week-end course at Cambridge was held at Corpus Christi College and at Pembroke College from April 7th to 10th. There were 235 students taking part, a larger number than at any of the nine courses previously organized by the Society, and this is the first time that two colleges have been used for a single course. Eight discussion groups were working in Corpus Christi College and seven in Pembroke College, and the whole course met in the lecture theatre of the Department of Zoology for the lectures and commentaries.

Lectures were given by Mr John D. Russell, M.A., F.C.A., on 'Auditing—the principal's view'; by Mr Maurice H. Peston, B.Sc.(ECON.), on 'How and why a business works'; by Mr A. H. Carnwath, F.I.B., on 'The London capital market'; by Mr D. V. House, F.C.A., on 'Examinations and all that'; and by Mr H. H. Liesner, M.A., on 'European free trade areas'. The discussion in groups was lively and a distinct spirit of friendliness was clearly developed even in so short a time. The President of the Students' Society, Mr W. E. Parker, C.B.E., F.C.A., dined with the course in Hall at Corpus Christi College on the Thursday and at Pembroke College on the Friday. The course was under the chairmanship of Mr G. B. C. Hughes, B.A., A.C.A.

Most of the students present were in, or only just beyond, the first year of their articles. Once again it

demonstrated the major benefits which articulated clerks can gain from such courses, not only in the broadening of their professional education but also in the realization of the contribution which contact with fellow members of the profession can make to their own progress in and enjoyment of their profession.

Next Week's Meetings

The following meetings of the London Students' Society will be held during next week:

Monday: Whole-day course of lectures at the Institute, Moorgate Place, EC2.

'The rule of law' (How English law develops), by Mr C. E. Griffith, LL.B., Solicitor (Reader in Law at the Law Society's School of Law). 'Partnership accounts', by Mr R. J. Carter, B.COM., F.C.A. 'The presentation and criticism of accounts', by Mr R. J. Carter, B.COM., F.C.A. 'The basis of assessment under Schedule D', by Mr Percy F. Hughes (Editor of *Taxation*).

5.30 p.m., at the Chartered Insurance Hall, 20 Aldermanbury, EC2: Annual general meeting of the Students' Society.

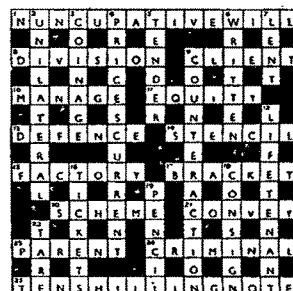
Wednesday: Lecture and demonstration of National accounting machines (limited number).

MANAGEMENT COURSE

A two-day course on 'Financial techniques of management', arranged by Management Courses Ltd, is to be held at *The Queen's Hotel*, Birmingham, from May 4th to 5th. The object of the course is to illustrate the application of certain financial techniques including profitability ratios, break-even analysis, movement of funds and return on capital expenditure. Speakers will be Mr Arthur W. H. Lamond, B.L., C.A., F.O.M.A., M.B.I.M., and Dr James M. S. Risk, B.COM., PH.D., F.B.I.M. Reservation forms are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

ACCOUNTANTS' CROSSWORD SOLUTION

The solution to the 'Accountants' Crossword', compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:



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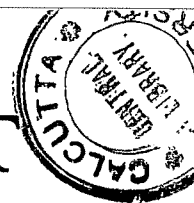
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The Finance Bill

THE eagerly awaited Finance Bill appeared on Tuesday afternoon and proved to be a lusty infant of eighty pages containing seventy-three clauses and seven schedules. The lion's share goes to income tax and it can be said at once that a great many cherished principles are to go by the board if the Bill becomes law in its present form. Of good news there is very little indeed, except to those who enjoy watching other people being taxed on purely notional income.

There is, of course, the additional relief for widows and others in respect of children, where no housekeeper allowance is claimed (clause 15); and also the increase in the reliefs for housekeeper, dependent relative, etc. (clause 16). These were announced in the Budget speech. But tucked away in Part V, which is headed 'Miscellaneous', there is clause 66 which provides for capital allowances on machinery and plant used for the purposes of investment companies, certain life assurance companies, savings banks and certain industrial and provident societies. Allowances on the scale applicable under Chapter II of Part X of the Income Tax Act, 1952, will be treated as management expenses for the purpose of claims under Section 425. Of even wider significance is the provision in the same clause of similar allowances for plant provided or used by the owner of land and houses for the maintenance, repairs or management of them. The allowances will be brought into claims for maintenance relief under Section 101 of the Income Tax Act, 1952. Clause 66 covers no less than four complete pages.

Part II of the Bill, dealing with income tax generally, has twenty-eight clauses; and Part III, which deals with income tax penalties and out of time assessments has another eighteen clauses. Part IV, dealing with estate duty, has only two clauses, one dealing with the mitigation of the duty on *inter vivos* gifts where the donor has survived two years or more, and the other modifying the provisions for assets valuation of shares. Part V has twelve clauses, dealing with profits tax, unit trust schemes in relation to income tax and profits tax, exemptions for visiting forces, purchase tax reliefs, premium savings bonds and exchequer advances to nationalized industries. Part I is as usual devoted to customs and excise and contains twelve clauses.

The promised (or threatened) restriction on relief for losses is contained in clause 18 which is perhaps not so bad as it might have been. It is confined to 1960-61 and subsequent years and it does not prohibit the carry-forward of the losses for subsequent set-off against profits of the same business. Some lobbying by

local and other authorities has perhaps produced the proviso that the restriction does not apply to losses made in the exercise of functions conferred by or under any enactment, including a private Act. Sub-clause (5) will be welcomed. It provides that the fact that a trade was being carried on at any time so as to afford a reasonable expectation of profit (the sub-clause does not say when) shall be conclusive evidence that it was then being carried on with a view to the realization of profits. Sub-clause (1) provides that losses shall not be available for relief by set-off against other income unless it is shown that the trade was being carried on for the year of assessment on a commercial basis and with a view to the realization of profits in the trade, or where the carrying on of the trade formed part of a larger undertaking, in the undertaking as a whole. The clause applies to professions and vocations as well as trades, 'commercial basis' being construed accordingly.

Clause 19 is aimed at a well-known avoidance device. It applies to certain sales of shares in a company which deals in securities or real property, or develops land, or carries on any other trade such that one object forming part of the trading stock forms a substantial part of the company's assets. The clause is confined to sales made after April 5th, 1960, to a person who has, or will have, a controlling interest. If it is not shown to the satisfaction of the assessing commissioners that all the company's trading stock will be sold in the course of its trade (or to another trader in whose hands it will be a trading purchase), the consideration for the sale of shares will be deemed to be income of the seller and chargeable under Case VI of Schedule D accordingly, up to the amount laid down by sub-clause (3). This sub-clause provides for a notional computation of profit on a series of complicated assumptions.

Clause 20 is aimed specifically at companies which do not carry on trade but erect buildings for investment. If, after the erection has begun but not later than six years after the completion of the building, shares in the company are sold to a person who has (or will have) control, and the company has an interest in the building at the date of sale, the value of which forms a substantial part of its assets, then the company will be treated for clause 19 purposes as though it were trading in the building. Clause 20 (2) extends

the operation of the new provisions to the case where the company is wound up.

Clause 21 is designed to extend the application of clauses 19 and 20 to sales of shares of companies which are the holding companies of companies falling within clause 19 or clause 20. Clause 22 contains elaborate provisions to ensure the application of the three preceding clauses to cases where shares are sold in small parcels.

Clause 23 is aimed at transactions between companies under common control where one of the companies trades in securities, shares, land or buildings (called a 'dealing company') and the other does not. A common avoidance device is for assets to be passed from one company in the group to another and then finally to a third party in such a way that any accretion in value is received as capital and not as income. Sub-clause (1) provides that any profit which the non-trading company makes out of the transaction shall be deemed to be income, chargeable under Case VI of Schedule D.

The clause then deals with further variations on this theme. Where a person controlling both a dealing company and an investment company sells shares in the former to the latter, and the shares sold were issued (or had their rights altered) after April 5th, 1960, then the transaction falls within clause 24. This provides for the taxation of a notional profit on the sale.

Clause 25 is aimed against the sale of securities cum dividend. If the seller is required by the contract to pay the purchaser a dividend under deduction of tax and is not himself entitled to receive the dividend, he will be liable to assessment under Section 170 in respect of the dividend and will not be able to set off the assessment as though it were a loss. The already notorious provision of a discretion to the Inland Revenue to counteract the tax advantages of certain transactions in relation to securities and shares appears as the two and a half page clause 26. The following clause gives the Inland Revenue extensive inquisitorial powers in relation to clauses 19 to 26.

Clauses 35 and 36 deal with what has come to be known as the 'golden handshake' – lump-sum payments made to directors or employees on the termination of their appointments. Only the excess over £5,000 is to be brought into charge. There is also provision for relief from the consequences of taxing a lump sum in one year.

The Association in 1959

THE report elsewhere in this issue of the fifty-fifth annual general meeting of The Association of Certified and Corporate Accountants, held in London on Tuesday, is complementary to the extracts from the Council's 1959 report which we reproduced four weeks ago. Together, they review comprehensively the Association's many current activities.

Membership and financial statistics continue to be satisfactory although, as the PRESIDENT points out in his address, certain items of expenditure have risen because of circumstances beyond the control of the Council. Despite an increase of £2,253 in income, the 1959 surplus has declined by £3,955 to £3,245. Of this sum, £1,000 is set aside for International Congresses and the balance is in effect transferred to the Accumulated Fund making it £74,585. The total membership at December 31st, 1959, was 10,545 and, to back this strength in the coming years, there were at the same date 7,556 students and graduates on the register.

The Council is to be commended on the way it reports its examination results. It does not give the current year only – as if this were an isolated phenomenon – but tabulates the particulars of passes and percentages for the past five years. Trends may thus be seen at a glance and the two which at once catch the eye this year are the improvement in Section II of the Final examination (49 per cent passed as against 43 per cent in each of the previous two years) and the erratic Intermediate examination results which, from 1955 to 1959, have produced percentage passes of 39, 30, 30, 44 and 37. Commenting on these, the PRESIDENT considers that many candidates, this being their first acquaintance with professional examinations, do not pay enough attention to their preparation therefor. The new syllabus of the Association, which is intended to make the young qualified member more familiar with the techniques of industrial accounting, was adopted during the year and will come effectively into operation with the June 1960 examinations.

The electronic data processing subcommittee of the Technical Research Committee last September published the first two booklets of a series on certain of the implications for account-

ants of electronic data processing. One was in the form of a general introduction to the subject and the other dealt with management's initial considerations when planning for the introduction of a computer. A third booklet, now in the course of preparation, will cover planning arrangements for the installation in some detail. In April 1959, a week-end school was held at The Queen's College, Oxford, when a cognate theme – the accountant as adviser and co-ordinator in electronic data processing – was discussed.

Both the Council in its report and the PRESIDENT in his address at the annual general meeting express their thanks to those members who, by serving on committees or by holding office in branches, district societies and students' societies, are helping to raise the standards of the Association. In this connection, the Council makes reference to the 'very indifferent support' which those loyal members frequently receive. With a membership of over 10,000, there should be no lack either in the quantity or the quality of helpers and the response to the appeal by the PRESIDENT for members 'to undertake gratuitously and for a limited period the work of setting and marking examination papers' should be a real indication of the enthusiasm which, we feel sure, is latent rather than non-existent in the ranks.

As was the case last year, the PRESIDENT, towards the close of his address, digresses briefly from commenting on the affairs of the Association to make some observations on the Budget. On the whole, he welcomes the restraints on industry imposed by the CHANCELLOR, although he thinks that the most important – the increase in profits tax – will be mitigated by the continuing expansion of company profits. His two main criticisms are that MR AMORY should have done something 'to equate the bases of allowable business expenses under the two main Schedules, D and E' and that he should have taken the opportunity to remove some injustices in the graduations of personal allowances.

MR JACKSON, after two distinguished years as President, retires from office and to his successor, MR JOHN E. HARRIS, B.COM., and to the new Vice-President, MR GEORGE L. BARKER, we extend our best wishes.

Multiple Residence of Companies

by T. J. SOPHIAN

THE conflict, or apparent conflict, of decisions on the question of the residence of companies for tax purposes presents a jig-saw puzzle, the solution of which is by no means an easy matter. One has in mind particularly such cases as *Swedish Central Railway Co Ltd v. Thompson* (4 A.T.C. 163; 9 T.C. 342); *Todd v. Egyptian Delta Land and Investment Co Ltd* (7 A.T.C. 355; 14 T.C. 119); and the latest decision of the House of Lords in *Unit Construction Co v. Bullock* ([1959] 3 All E.R. 831).

Undoubtedly, in view of the last decision, it will be necessary now to recast the principles which hitherto have been considered to govern the question of the residence, and particularly the possibility of a dual or multiple residence, of a company for tax purposes. The task of reconciliation of the authorities on this question is of a somewhat complex character.

General Test

One may begin with a statement of the main and general test. The test is quite clear and a simple one to apply, so long as the facts and circumstances are in themselves simple and lend themselves only to one conclusion, viz. that the company in question on the facts cannot have more than one residence.

This test was enunciated by Lord Loreburn, L.C., in the *De Beers* case (5 T.C. at page 213) as being that a company resides for tax purposes where its real business is carried on, its real business being carried on for this purpose where its central management and control actually abides.

To put it in other words, adopting for this purpose the language of Lord Halsbury, L.C., in *American Thread Co v. Joyce* (6 T.C. 165), a company's residence is where what one would call in popular language its head office happens to be and where the business of the company is really directed and carried on in that sense.

Difficulty is occasioned when the facts and circumstances are such as not to permit of the simple application of Lord Loreburn's test, and where, for instance, it is not possible to predicate with absolute certainty that the central control and management is exclusively being exercised in one place. In these exceptional cases, the

question arises whether a company may be regarded as having more than one residence. It is true that the law recognizes the possibility of not only an individual, but also an artificial person, such as a company, having residences in more than one country (see, for instance, the *Swedish Central Railway Co* case (*supra*)). But there is no clear guiding principle for the purpose of determining what are the circumstances or the combination of circumstances which would constitute residence for a company in one taxing jurisdiction, at the same time when the central management and control of the company's affairs are being actively exercised within the jurisdiction of another country. It is in this connection in particular that it becomes exceedingly difficult to reconcile the authorities, such as the *Swedish Railway* case and the *Egyptian Delta* case.

When one comes to examine the *Unit Construction* case, and the decision of the House of Lords on the facts of that case, it becomes apparent that no question of dual residence, or of the circumstances in which dual residence may arise, where there is a *de facto* division of the controlling power and management of a company's business, had to be considered there. For all the facts pointed to one conclusion, and that was that the actual control was being exercised in the United Kingdom and nowhere else.

The Point in Issue

In substance, the question which had to be determined was whether the place where the company's affairs had to be managed according to the terms of its constitution, and not the place where they were in fact being managed, determined the company's residence. The House of Lords disagreed with the views of the Court below. While the latter held that the place where the *de jure* control was exercisable, viz. Kenya, and not the place where the *de facto* control was being exercised, viz. London, determined the company's residence, the House took an opposite view.

The decision of the House on this point and the principle laid down are in fact simple. That principle is that the actual place of management (viz. London, on the facts) and not the place

(Kenya) where the company's affairs ought to be managed according to its constitution, fixes the residence of a company. *De facto* control is the sole test in such a case and *de jure* control must be disregarded. The facts would determine where the *de facto* control lay. Applying the Loreburn test, nothing could be more factual and concrete than the acts of management which enabled a Court to find as a fact where the central management and control was being exercised. The character of such acts was not altered in the slightest degree by reason of their being irregular or unauthorized or even unlawful.

One may take the instance of possession. *De facto* possession is none the less actual possession, because of its being that of a trespasser! Similarly, residence is to be determined by the solid facts and not by the terms of the constitution of the company concerned.

Viewed in this light the facts in the *Unit Construction* case were in no way similar to the facts in other cases in which there was proved, or was held to be, an actual division of the central management and control.

Reconciliation of Authorities

Strictly it may be said that the House, in the *Unit Construction* case, was not called upon to determine any question of the principles to be applied for the purpose of determining residence for United Kingdom tax purposes, where there is a *de facto* division of control and where the facts accordingly do not permit of the application at all of the Loreburn test.

What is the position then where one does not find that the central control and management is exclusively exercised in one country?

Cases which do not fall fairly and squarely within the Loreburn rule may take different forms.

Firstly, there is the type of case where the *de facto* management and control is divided and is exercised in different countries. In such a case, so long as it can be said that the management and control, though divided, is still being exercised in the United Kingdom, the Courts of this country will treat the company as having a United Kingdom residence. The real question in such cases appears to be as to whether there is evidence to justify the English Courts to hold that there is sufficient management and control in the United Kingdom and accordingly residence here, notwithstanding that there may be management and control elsewhere as well. For the United Kingdom Courts are merely concerned

with the question whether, aye or nay, the company has a residence in the United Kingdom. They are not concerned with the question whether the company also has a residence outside the United Kingdom. If the company has a residence in the United Kingdom by reason of the acts of management and control exercised here, that is sufficient. *Union Corporation Ltd v. C.I.R.* (31 A.T.C. 99; 34 T.C. 207) may perhaps be explained on this ground.

Secondly, there is the type of case, of which the *Swedish Central Railway* case is an example, in which certain factors less than central management and control have been held to constitute residence here, notwithstanding that the company clearly had a residence elsewhere – by virtue of the central control and management being exercised abroad. In the *Swedish Central Railway* case the factors on which the decision that the company was also resident here was based, were, in substance, the incorporation of the company here and the performance here of certain administrative duties such as the custody of the seal and the registration of transfers.

But, as Lord Radcliffe was at pains to point out in *Unit Construction*, it is impossible to discover from the authorities, or apparently even to determine, what circumstances or combination of circumstances would be sufficient to constitute residence here at a time when the central management and control of a company's affairs were being exercised actively elsewhere.

Basis of Swedish Central Railway Decision

The *Swedish Central Railway* case accordingly cannot, it seems, be regarded as one in which there was an actual division of central management and control between different countries. It would appear to be rather a case where, though the actual management and control of the company's affairs were being exercised elsewhere, there was something less than management and control being exercised here, which nevertheless was sufficient to constitute a United Kingdom residence for the company.

Yet it seems necessary to base the decision in the *Swedish Central Railway* case on inferences drawn from the facts to the effect that the business and administration of the company's affairs were of such a nature that what managing and controlling had to be done were in fact done as much in England as on Swedish soil (see per Lord Radcliffe in *Unit Construction*). On that view, *Swedish Central Railway* would appear likewise to be one in which, as in *Union Corpora-*

tion, the facts, to adopt the language of Lord Radcliffe (ibid.), are genuinely such as not to admit of a finding that central management and control are exercised in or from some country exclusively.

All cases, therefore, such as *Union Corporation* and *Swedish Central Railway*, are to be treated as ones in which there was evidence that there was a division of central management and control between the United Kingdom and some other country, such as was sufficient to establish the company, as far as the United Kingdom Courts were concerned, as being resident in the United

Kingdom, that being the only question in effect which had to be determined. The United Kingdom Courts were not, and indeed would not be, concerned with any finding as to whether the company was also resident elsewhere than in the United Kingdom.

It must be conceded that the judgments in the various decisions are extremely complex and their interpretation is by no means easy. It is submitted, however, that the above observations summarize their effect and set out the present state of the law on the question of the residence of companies in the light of recent authority.

Running the Smaller Office

2 — PROBLEMS OF LAYOUT

by An O. & M. ADVISER

MOST smaller offices are troubled with a lack of space, of having to try to put a quart into a pint pot. Under such conditions it is somewhat unrealistic to talk in general terms about laying out offices to fit the flow of work. Nevertheless, there are certain basic points about layout which apply even to the office which is bursting at the seams and is likely to go on in that condition for some length of time.

Looking Ahead

Wherever possible it pays to try and visualize the layout problem over a period of time rather than in terms of moving a few desks around next week to cope with a temporary emergency. Think how the work is to flow from department to department and how much filing space is going to be required. Think also of how many machines are wanted in the office, and are likely to be wanted over the next year or two. This will avoid endless confusion. It will prevent common causes of chaos developing such as clerks moving backwards and forwards with pieces of paper which, if the layout were better, could be passed from desk to desk in the course of the work. It will prevent departments from getting indefinitely separated from their files and such items of equipment as duplicators being installed where their operators are likely to get most in the way of the flow of work.

Many office layout difficulties stem from the fact that senior people in an office lay claim to the best accommodation and the rest of the staff have to be fitted round them. A certain amount of this is inevitable and even proper but it can be overdone.

When dividing office space, semi-partitions instead of full walls are well worth considering. They are both flexible and comparatively cheap. They also are good for light and make supervision easier and less obtrusive. Care has to be taken, however, with the noise problem. This can be an important consideration in certain shapes of offices doing certain kinds of work.

Working Conditions

Considerable thought should be given to problems of distractions and working conditions. Desks squashed too closely together can create acute irritation to those working at them. A less disliked source of distraction but one just as wasteful to the firm is where desks are so arranged as to stimulate idle chatter and interruptions.

The best known example of this is where three or four desks are placed in a comparatively small room all facing towards the centre so that the focal point is the centre of the room. Desks are best placed in lines all facing the same way. A common concomitant of crowded space and inducements to interruption is scarcity of telephones for economy's sake. It should be a point to keep under constant review that the right people have internal and external communication systems on their desks.

Closely connected with these questions is that of fatigue. Walking, bending and stretching should be reduced to the minimum for clerical work. This is achieved by ensuring that desks have a big enough working surface and that there are nearby surfaces, within reach, for

placing files on (hence the popularity today of L-shaped desks in offices). Attention should be given to organize filing cabinets so that drawers often used are kept in the centre, less used ones at the top and the least used ones at the bottom.

The next matters to consider are light, warmth, freedom from draughts, and colour. When desks are laid out, most people remember not to put them in dark corners with the worker's back to the light but fewer remember that light should strike a desk either from the front or the left – not from the right. Warmth and freedom from draughts are as important from the organization's point of view as from its employees. People who have to work continually in draughts or nearly burnt down one side and frozen down the other have their output in consequence seriously affected. In decorating offices it is well to remember that brown is a most unstimulating colour.

Desk Sizes

Much work has been done in recent years on the correct size of desks. Standards are now laid down which take reasonable account of efficiency, comfort and prestige. Desks should be 17 in. from the ground to give adequate knee room and their tops should be about 28 in. high, ignoring the complications of central drawers. Typists' desks on the other hand should be 26 in. high.

So far as the area of desk tops are concerned, standard executive types should be about 60 in. by 36 in., but there is virtually no upper limit! Clerks' and typists' desks are usually adequate if they measure 50 in. by 30 in. or 40 in. by 30 in.

When measuring up an office area to see how much accommodation there is, it is as well to take 60 sq ft. as the right amount of space for a clerk. To go below that, except under special circumstances, is to risk over-crowding. More executives than are prepared to admit it, can get by comfortably with 100 sq. ft.

Very often today the critical departments in an office are those using office machinery other than small desk equipment. Several points have to be watched here. Such machines – punched-card installations being a good example – should have a logical layout of their own and they need to be comparatively isolated because of noise. They therefore make comparatively inflexible demands on storage and operating space. Certain types of reproduction equipment have to be used away from strong light. Many of such types of equipment are on call for different departments and therefore should ideally have either a central position or a small room or alcove to themselves. Two last points to remember are the type of electric current available and fire precautions.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

GERMANY

Planning the Annual Audit

LITTLE has hitherto been written about the organization of an audit, and it is perhaps understandable that practising accountants should be reluctant to publish all the details of the planning and programming work relating to a particular case. A contributor to *Die Wirtschaftsprüfung* (Stuttgart) has done just this, however, and his account in the issue of October 15th last is a fascinating insight into the methodology of professional auditing. The writer distinguishes between an audit *plan* and an audit *programme*, since the former includes also planning the performance of an audit, having regard to the factors available such as personnel, time, mechanical and other aids, and the existing internal audit and control system.

Once the plan is laid down, it becomes a yardstick for the objectives of the audit against which actual performance can be measured. The article

takes as an example the legally obligatory audit of a public company (*Aktiengesellschaft*). Such an audit can only be partially defined by reference to the relevant sections of the law since, as in Britain, German law does not specify the scope and content of an audit. The audit plan must therefore be based upon generally accepted accounting and auditing standards which depend to a large extent on the practices of the auditing profession as well as on the professional conscience of the individual auditor.

The plan is divided into three main sections: first, the preparatory work, covering the accounts to be audited; company organization; records available; audit personnel of different grades to be allocated; the machinery to be utilized; and the timetable for the audit. This section of the plan is prepared by the management of the auditing firm, since planning is a managerial function and should not devolve on the audit personnel.

The next section deals with the actual audit, the progress of which is recorded by those responsible

for its accomplishment, and includes not only the actual checking and verification but also a critical review of the client's records, figures and organization, and the writing of the report which is of course an integral part of the audit. The final stage is concerned with the costing of the audit, the comparison of this with the estimate on which the plan was based, and the fee to be charged.

In the first part of the plan, it is important to identify 'audit sections' consisting of a number of similar or identical operations. These are combined into 'audit section groups', being operations relating to the different kinds of figures to be audited. Once these groups have been established, it is possible to consider various methods of arriving at the desired result and to choose those which entail the minimum expenditure of time and resources. This enables the auditors to be divided into groups, each group being responsible for certain sections of the audit, and making for a greater degree of co-ordinated control over the progress of the audit.

For example, one group may be concerned with the manufacture of finished goods, their sale and the proceeds of sale, including the accounts receivable from customers. The work of this group may then be extended to include the valuation of stock-in-trade, cash transactions relating to bills of exchange receivable and other matters not obviously falling within its province. For some parts of the audit all groups may be required, e.g. for ascertaining and evaluating internal organization and the internal control system. The existence of an interim audit may require a different approach, however, and work which would otherwise be done by one group may more conveniently be done by another in this case.

The audit in question and the personnel employed were subdivided over a seven-week period, the planned 'audit days' being compared with the actual time taken. In this way, differences can be investigated and the reasons for them attributed to particular groups of auditors or sections of the work.

CANADA

Weakening Dollar

THE weakening of the Canadian dollar since the end of March may reflect important changes now developing for the Canadian economy. One of the sources of weakness has been the ending, at least for the time being, of borrowing by Canadian provincial governments and other public bodies on Wall Street. After a high level of activity of this sort in the first three months of this year there was a sudden slowing down immediately before the Canadian Budget at the end of March.

At the time of the Budget the Finance Minister gave a warning that those who borrowed at one rate of exchange must bear in mind that repayment might have to be made at another—a clear hint that the Government would not hold the rate of exchange

against the trend of market influences. There has been a noticeable absence of borrowing in New York since the Budget speech.

The public attack on the high volume of borrowing by Canada abroad, especially in the United States, was mounted during January when Mr J. E. Coyne, Governor of the Bank of Canada, twice spoke about the high level of foreign investment in the country, Canada's continuing to live beyond its means and the need to finance investment out of its own savings. The end to the premium of the Canadian over the United States dollar (a fact which has intrigued the Canadian public from a prestige point of view for some time) therefore presages some fundamental changes in the Dominion's attitude to the inflow of foreign capital.

RHODESIAN FEDERATION

Appointment of Auditors

THE new draft Companies' Bill for the Federation, at present being considered by interested parties, contains provisions requiring that an auditor shall be appointed for all companies, both public and private. At present, the Southern Rhodesian Companies Act, 1951, does not require a private company to appoint an auditor where (1) the number of shareholders is less than ten; (2) none of the shareholders is a company; and (3) all the shareholders agree that an auditor shall not be appointed.

The new Bill, however, does contain a provision permitting the accountant to a private company also to be appointed its auditor, provided that the accountant is qualified to act as an auditor. Under existing regulations in Southern Rhodesia, only Chartered Accountants (S.R.), that is members of The Rhodesian Society of Accountants, are qualified to act as auditors of companies.

New Diploma Course

DR WALTER ADAMS, principal of The University College, Salisbury, has recently given details of a new part-time course of study, leading to a diploma in applied economics. The course will extend over three years and will embrace a study of three major subjects, namely, economics, accountancy and law. Dr Adams pointed out that concentration would be on the principles of each subject but that instruction would be directed towards local conditions, professional practice and requirements in the Federation.

The new course is expected to be of particular interest to articled accountancy clerks, members of the banking and insurance professions and to those in central and local government services and similar occupations. Articled clerks who are successful in all three subjects on one occasion in the final examination for the diploma in applied economics will be exempted from the Rhodesian Society of Accountants' Intermediate examination.

Weekly Notes

The Association's New President

AT a meeting of the Council of The Association of Certified and Corporate Accountants held following the annual meeting last Tuesday (reported elsewhere in this issue), Mr John Edward Harris,



B.COM., F.A.C.C.A., was elected President for the coming year.

Mr Harris, who was born in London, obtained the Honours degree of Bachelor of Commerce at the London School of Economics and qualified as a member of the Association in 1944. Some two years later he became a partner in the firm of Messrs R. P. Opass, Billing & Harris,

Certified Accountants, of London and Belvedere.

Elected to the Council of the Association in 1953, Mr Harris was chairman of the Examinations Committee in 1957. He has also served as one of the examinations moderators and, more recently, has been one of the architects of the Association's new examination syllabus. From 1956 to 1958 he was chairman of the Technical Research Committee. He gave oral evidence on behalf of the Association to the Royal Commission on the Taxation of Profits and Income in 1952, and presented a paper entitled 'Business organization and the public accountant' to the Seventh International Congress of Accountants in Amsterdam in 1957.

In addition to his work as a partner in his firm, Mr Harris is also the managing director of the British group of companies owned by Société Genevoise d'Instruments de Physique of Geneva, and is a director of a number of other companies. For a number of years prior to 1958, he was also a lecturer in accounting at the London School of Economics and examiner in accounting in the University of London. He was one of the authors of the second edition of *Simon's Income Tax*.

Mr G. L. Barker, F.A.C.C.A., of Leeds, has been elected as Vice-President.

Concentration in Industry

THE rather loose connection between business concentration and monopoly power, has usually motivated most of the empirical studies involving the measurement of industrial concentration both

here and in the United States. Fresh light has now been shed on this complex subject in a painstaking study of the structure of industrial production in Britain, undertaken by R. Evely and I. M. D. Little of the National Institute of Economic and Social Research, published recently.¹

The pioneer work of Leak and Maizels in this particular field, contained in a paper read to the Royal Statistical Society just after the last war, entitled 'The structure of British industry', dealt with the concentration of output and employment in the Census of Production Trades and Sub-trades in 1935. Taking their cue from this line of inquiry, the authors of the present study have concerned themselves with the structure and concentration of industry in 1951, as well as plotting the changes that have occurred in a number of specific trades between 1935 and 1951.

It might have been anticipated that the dislocation and disturbances of the war and post-war years would have left a permanent mark on the structure of many industries. But this was not so in the majority of cases, for two-thirds of British industry falls into the 'low concentration' category, where the three largest firms are responsible for less than one-third of the total trade. However, the economist's ideal state of 'perfect competition' only seems to exist in about one-quarter of British industry. As for the rest, full competition – at least so far as price is concerned – appears to have been discarded in favour of resale price maintenance or other similar collusive arrangements.

It is probable that events since 1951 (particularly the flood of take-over bids, not to mention an increased crop of mergers) may have intensified the established trend of concentration-change disclosed between 1935 and 1951 in some trades.

European Co-operation Anew?

THE Organization for European Economic Co-operation, better known as O.E.E.C., was created in 1948 to administer Marshall Aid. It was later responsible for creating the European Payments Union and thereby made possible the liberalization of intra-European trade. With the economic recovery of the European member countries, their expanding trade with the dollar area and full convertibility of their currencies, O.E.E.C. as originally devised no longer has a role to play.

Some proposals for its successor, to be known as the Organization for Economic Co-operation and Development, have been put forward in the report² of the group of four experts appointed last January by the governments of the O.E.E.C. member countries and the associate members, Canada and the United States. The twin objectives of aligning the member countries' economic policies and

¹ *Concentration in British Industry*, Cambridge University Press. Price 55s.

² *A Remodelled Economic Organization*. H.M.S.O. 3s.

extending financial and technical aid to the under-developed territories will be more easily achieved by bringing the two associate members into full membership; hence the dropping of 'European' from the name of the organization. Since the new body will have to work from the outset with more or less integrated economic groups, the report explains that 'it will certainly have to be alert that their existence does not impede the work of international solidarity which is its main justification'. No other comment is made upon the present impasse between the Six and Seven, except the suggestion that any member country affected by the policies of either of these groupings should invoke the powers of the new body. These are as yet imprecise; one can only hope that this report marks a first step towards effective European co-operation.

Institute of Taxation

ADDRESSING the annual meeting of the Institute of Taxation last Tuesday, the President, Mr Frederick Bidston, F.A.C.C.A., F.C.I.S., F.T.I.I., said that the small taxation reliefs proposed by the Chancellor would be welcomed and in particular the scaling down of estate duty on gifts *inter vivos* as recommended by the Institute.

The Budget proposals as a whole, however, could only be defined as dull and lacking in decision and positive direction. The Finance Bill was not available at the time, but having regard to what the Chancellor had said in the Commons it was perhaps inevitable that taxation practitioners would be disturbed at the new anti-avoidance proposals. Many uncertainties might result from the withdrawal of relief for losses given against total income or for certain capital expenditure on farm or forestry works unless the trade or profession was carried on 'on a commercial

basis and with a reasonable expectation of profit'.

The abuse of double allowance of losses in the early years of a business when set off against profits of another business carried on by the same person could easily be corrected without abolishing altogether what seemed to be an equitable relief.

Resale Price Maintenance Again

GIVING his presidential address at the annual conference of the National Chamber of Trade last Monday, Mr H. Austral Ryley, F.C.A., A.C.I.S., expressed the Chamber's distaste for any alteration in Section 25 of the Restrictive Trade Practices Act. This section deals with resale price maintenance. Mr Ryley said: 'Three inquiries since the end of the First World War have found nothing wrong with the principle of price maintenance and if it is to be challenged yet again this Chamber will stand four square with trade associations in its defence.'

He also expressed criticism of the way in which the Act is operating in practice. He did not favour all the agreements subject to scrutiny under the Act being swept away, if that meant that marketing, selling and distribution became a free for all of unrestricted competition. He thought it unfortunate that the Act requires agreements to be *in* the public interest. In his opinion, all that was necessary was for the agreements not to be *against* the public interest.

Automatic Supermarkets

A NEW company has been formed jointly by John Brown & Co Ltd and the Solartron Electronic Group (owned by Firth Cleveland Ltd) called Solartron-John Brown Automation to develop what are called automatic supermarkets.

The new company has the rights to an American



Mr Eamon de Valera, President of the Republic of Ireland, received the President of The Institute of Cost and Works Accountants, Mr Edward Emmerson, F.C.A., F.C.W.A.; the President of the Dublin and District Branch, Mr P. E. W. Burgess, F.C.W.A., A.A.C.C.A.; the Honorary Secretary of the Dublin and District Branch, Mr J. V. Cunningham, A.C.W.A., A.A.C.C.A.; and the Secretary of the Institute, Mr Derek du Pré, at his official residence in Dublin on Wednesday of last week. The President and Secretary of the Institute were visiting Dublin on the occasion of the annual general meeting of the Dublin Branch.

Left to right: Mr Burgess, Mr Emmerson, Mr de Valera, Mr Cunningham, Mr du Pré.

system devised by Mr Donald Gumpertz which is known as automatic warehousing. This is based on electro-mechanized handling methods by which any number of goods of different types can be assembled from a warehouse and dispatched to a given collecting point in a matter of seconds.

In an automatic supermarket of this kind the shopper enters the sales area and collects a number of cards which represent a shopping list. As she passes

each display unit, where she is able to handle a sample of the goods, she inserts the shopping card in a machine which prints on it the item and the quantity. At the far end, at the cash desk, the card or cards are put into a machine which totals the price and an operator presses a release button which electronically releases the information stored on the card. The information is transmitted to the warehouse and the order electronically assembled in a matter of seconds.

This is My Life . . .

by An Industrious Accountant

CHAPTER 22

ROBERT BURNS once prayed for some power to gie us the giftie tae see ourselves as ithers see us, and I got it yesterday. It was a chastening experience which I could well have done without.

Actually, the morning had started well, with a special directors' meeting to consider staff bonuses, as the year's trading had turned out so prosperously. Earlier in the month, we had set aside a percentage of the net profit as a provision for this excellent purpose, and now the directors discussed the lists of individual recommendations submitted by each of our managers. It was a new and pleasant experience and never had my morning coffee tasted so sweet.

The reactions to the other lists were generous, and I mentally upped my requests by 50 per cent. The factory managers ('most deserving'), the departmental managers ('jolly good show, you know'), the salesmen ('surpassed themselves'), the transport section ('worked till midnight sometimes'), the engineers and technicians and designers ('it was teamwork that did it'). Our new managing director had covered himself with glory, it was our best-ever profit, and he was quick to share the spoils of victory.

Finally, it was my turn to present my accounts list. 'Is there anyone you would care to recommend for something?' asked the chairman, tolerantly, and suddenly a little cold breeze seemed to flicker round the boardroom. The directors glanced down the roll of names in some surprise, reflecting, perhaps, my predecessor's practice of neglecting his staff's interests more than somewhat. 'I should have thought that the accounts staff were adequately remunerated already, after the substantial increases we gave in 1958. After all, their contribution to our profits can hardly be compared with that of the outside staff.' The Chairman was obviously in some genuine perplexity.

I responded firmly. 'On the contrary, sir . . .

unprecedented volume of work . . . results never achieved before . . . record cash collections, reduced overdraft . . . budgetary control over the departments . . .'

'Not really usual to give bonuses in the office', pondered the chief, and the personnel director supported him briskly. 'I feel that your staff are overpaid, if anything. Book-keepers are two a penny nowadays. Modern industry needs technical men, salesmen, engineers, as a study of the advertising columns of the daily Press should show you.' He looked across the table with some arrogance, and enlarged on the desirability of accountants who might feel dissatisfied looking for other and better jobs, if such were available.

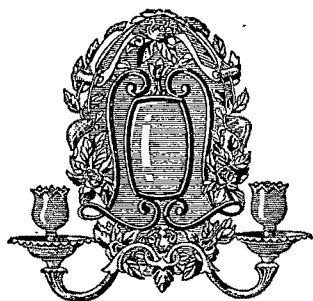
It was an effort, but I controlled myself while recording disagreement. 'If you will just glance at the last issue of *The Accountant* you will find nine pages of situations vacant . . . always a market for ability.'

My opponent patted down his flowered silk waistcoat with a pudgy hand, reminding me of Pooh-bah, who was born sneering. 'Sorry and all that, old boy, but it's not quite the same thing. You'd expect accountants to be looking for other accountants.' He became suddenly inspired. 'After all, even a gnu would want agnother gnu, you kknow.' This effort convulsed him for several minutes, and even the chairman smiled.

If I had seen Dr Jekyll changing into the malevolent Hyde before my eyes, I could not have been more revolted. The urge to tell the personnel director what zoological character he really resembled was almost overpowering, and only the difficulty of choosing between two of the least savoury specimens saved me from what might have proved disastrous eloquence.

The managing director came suddenly to my rescue. He had been frowning slightly over my list, making little ticks with his gold pencil, aloof and inscrutable. Now he suddenly smiled an infectious smile that carried his colleagues with him. 'I feel we have perhaps been a little hard on our secretary, gentlemen. After all, we did speak of teamwork. Perhaps a little token of appreciation . . .'

Well, it was a near thing! I must ensure that my staff's efforts make more impact on the board during 1960.



THE
ACCOUNTANT
ANNUAL
AWARDS
for 1960

The two companies which have been selected to receive *The Accountant* Annual Awards for 1960 are:

VICKERS LIMITED

and

JOHN HARVEY & SONS LIMITED

The reports and accounts of these companies were judged the best of a thousand entries for this year's awards.

Each year's Awards are for reports and accounts presented at company annual meetings during the previous calendar year. The Award to Vickers, therefore (which is that for large companies), is in respect of their accounts for the year ended December 31st, 1958, presented at the company's ninety-second annual general meeting on June 1st, 1959.

John Harvey & Sons receive the Award for 'smaller' companies requiring less complex accounts than those of a large group, in respect of their accounts

for the year to February 28th, 1959, presented at the company's sixty-fifth annual general meeting on June 11th, 1959 – their first accounts, however, since they became a public company.

The Lord Mayor of London, Alderman Sir Edmund Stockdale, will present the awards at the Mansion House in June in the presence of a distinguished company representing the City, the professions, commerce and industry.

The Awards

The Awards, which are of equal rank, each take the form of a pair of hand-made silver wall sconces inscribed with the name of the winning company and specially designed with ancient and modern symbolism depicting commerce and accountancy. They are made annually to companies whose shares are quoted on a recognized stock exchange in the United Kingdom, in relation to the form and content of their published reports and accounts; particular importance is attached to the adequacy of the information given and its presentation.

Panel of Judges

The members of the Panel of Judges are: Mr K. W. Mackinnon, M.B.E., T.D., Q.C. (Chairman); Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr C. D. Gairdner, C.A.; Mr A. W. Giles, M.A., C.A.; Mr Donald V. House, F.C.A.; Lord Latham, J.P., F.A.C.C.A.; Mr Ian T. Morrow, C.A., F.C.W.A.; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*.

Finance and Commerce

Clean Break

A SUMMARY of investments is shown on page 111 says a note to the end-1959 balance sheet of the National Mutual Life Assurance Society whose accounts form this week's reprint. From the point of view of balance sheet construction, it is an extremely important note because it marks a clean break from the accepted form. The new balance sheet has been stripped of much of the detail and now starts to tell its story from the first glance.

There is no doubt that life assurance accounts have failed to keep pace with the accounting evolution that began in the thirties and accelerated after the war, stimulated by the 1948 Act and the Institute's Recommendations on Accounting Principles.

There is ready comparison with the accounts of the Scottish Widows' Fund and Life Assurance Society given in *The Accountant* of April 9th last. Scottish Widows' ungrouped assets run to twenty-six items. There is an even more striking example of the old style in Prudential's balance sheet in which the assets column, unrelieved as it were by punctuation, contains just over fifty items.

Life assurance accounts are required to give this close view of the manner in which the policy-holders' money has been invested and it has apparently been taken for granted that the information must be contained in the balance sheet itself.

Immediately Viewed

National Mutual has taken this investment detail out of the balance sheet and reduced the balance sheet statement of the investment position to a summary under five headings: fixed interest; ordinary; mortgages, loans; properties, ground-rents; and reversion. The total of the Investment Group – £16,307,791 – can then immediately be viewed against the figures for the funds on the other side.

At one flip of the page, there is the detail of what classes of investments lie behind the balance sheet summary. The form is given in the reprint and needs no extensive description.

The basis of the investment values given will also be noted: middle market prices where quoted. The view here moves over to the reserve position within

Members, he feels, will no doubt approve this change of method the more so since, generally speaking, there are long-term considerations in favour of increasing the proportion of equities, provided that reserves are held against the inevitable fluctuations in market values.

BALANCE SHEET OF THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY
ON 31st DECEMBER 1959

LIABILITIES		ASSETS	
FUNDS		INVESTMENTS*	
1958	1959	1958	1959
£	£	£	£
13,855,927	14,765,537	8,241,548	9,078,388
666,281	548,630	Fixed interest stocks ..	9,078,388
14,522,208	15,334,167	Ordinary shares ..	5,677,242
1,500,000	1,500,000	Less investment reserve ..	14,755,630
—	1,682,037	Mortgages and loans ..	2,182,037
—	3,182,037	Properties and ground rents ..	12,573,593
—	2,182,037	Reversions ..	2,459,454
—	—	Total invested assets	1,231,875
1,500,000	1,000,000		42,869
			16,307,791
OTHER LIABILITIES		CURRENT ASSETS	
179,325	197,065	Agents' balances ..	3,647
631	412	Sundry debtors and debit accounts ..	20,457
56,014	52,718	Balances due for securities deliverable after 31st December 1959 ..	59,963
40,563	38,850	Outstanding premiums ..	154,606
120,481	135,010	Outstanding interest, dividends and rents ..	23,649
5,279	22,568	Interest accrued, but not payable ..	116,976
402,293	446,623	Cash — on deposit ..	15,000
		— in hand and on current account ..	76,501
£16,424,501	£16,780,790		472,999
			£16,780,790

The notes on page [531] are an integral part of these accounts.

*A summary of the investments is shown on page [531].

investments. If other companies were obliged to present an annual appraisal of their land and buildings, plant and machinery, ships or mines, shareholders, he maintains, would come to the natural and sensible conclusion that the whole process was a waste of time, because the value of these things should obviously be based on the profits they were capable of earning.

That, he points out, used to be the case with investments. When share prices were geared to income, or the expectation of income, it was reasonable to treat the Stock Exchange as a prophetic weathercock which indicated the wind of change, and to assume that high prices today meant high dividends tomorrow.

But now that the new poor were chasing capital profits and the new rich were queuing up for the shares of famous companies regardless of yield, it looked as if the factors that influenced prices on the Stock Exchange were beginning to resemble the factors, whatever they might be, that influenced prices at Sotheby's.

Premier Investment's fixed assets in the shape of investments were shown at January 31st, 1960, at cost, less provision for diminution in value, of £4,213,649. Valuation was £9,271,764. Is it possible that Mr Fleming, in directing the employment of the company's funds, had an eye on possible capital appreciation as well as on income possibilities?

Policy Decision

THIS year's accounts of Barrow, Hepburn & Gale Ltd, mark a decisive policy decision away from the sole-leather industry. Production of sole leather is to be drastically reduced and attention is being given to 'the production of other lines which are in no way directly connected with the sole-leather industry'.

The fact has to be faced, as Mr George W. Odey, the chairman, pointed out last year, that a large section of the sole-leather industry has disappeared in the face of competition from non-leather soling

Tanners faced with this situation had to decide whether to hold for replacement value on their leather, go out of business or face a heavy loss. With this company the decision was taken before much of the increase in hide prices had taken place and as a result 'we were able', says Mr Odey, 'to avoid the purchase of dear hides and to dispose of our leather-in-process at the top of the market'.

London. 1st March, 1960

1958	SECURITIES	£	£
	at middle market prices where quoted		
3,127,549	British government securities	3,736,508	
671,151	British government guaranteed securities	506,587	
88,069	Securities issued under the Trade Facilities and other Acts	89,445	
304,156	British public boards	190,155	
	Commonwealth (other than United Kingdom) government securities	69,323	
69,607	Foreign government securities	100,317	
106,232	Foreign municipal securities	19,059	
18,585	Debentures and debenture stocks, home and foreign	2,630,392	
2,211,727	Preference and guaranteed stocks, home and foreign	1,736,602	
1,644,472	Ordinary stocks and shares:		
2,180,434	Sterling	4,111,155	
1,656,047	Dollar..	1,566,087	
	Less investment reserve	14,755,630	
12,078,029		2,182,037	
12,078,029			12,573,593
	MORTGAGES AND LOANS		
1,666,132	Mortgages on property within the United Kingdom	1,385,095	
33,494	" out of the United Kingdom	55,278	
183,045	Loans on public rates	204,354	
700,678	" Society's policies within their surrender values	813,727	
	" personal security	1,000	
2,603,349			2,459,454
	PROPERTIES AND GROUND RENTS		
	at cost less amounts written off		
14,043	Rent charges	14,043	
182,801	Freehold ground rents	182,800	
4,393	Leasehold ground rents	2,060	
980,481	Freehold and leasehold properties	1,032,972	
1,181,718			1,231,875
44,769	Reversions as valued on 31st December, 1958		42,869
115,908,065			£16,307,791

CITY NOTES

CREDIT restriction considerations have dominated the stock-markets this week and there has been little relief from the recent dullness of the equity sections.

There is now a marked inclination towards liquidity of investment funds – and this at a time when calls for new money from industry are likely to be heavy. Industrial companies, having missed the opportunity of raising new money on last year's buoyant equity markets, are now faced with the prospect of raising funds at a time when equity investors are inclined to take a rather jaundiced view of short-term prospects.

It must be admitted that equity values are now on a more realistic basis than they were at the beginning of this year when talk of the 'soaring sixties' twisted values up to artificially high levels. At the same time the doubts raised by credit restriction talk are such that even more realistic prices fail to tempt new buyers to any great degree.

Another uncertain factor in the stock-market equation is the behaviour of Wall Street where a decline in values is accompanied by some bearish interpretation of American business trends.

RATES AND PRICES

Closing prices, Wednesday, April 27th, 1960

Tax Reserve Certificates: interest rate (Nov. 1958) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Feb. 19	£4 10s	10·65d%	Mar. 25	£4 12s	5·03d%
Feb. 26	£4 11s	1·07d%	April 1	£4 12s	5·05d%
Mar. 4	£4 10s	9·34d%	April 8	£4 12s	11·83d%
Mar. 11	£4 11s	8·32d%	April 14	£4 13s	1·10d%
Mar. 18	£4 12s	3·52d%	April 22	£4 13s	0·88d%

Money Rates

Day to day	3½–4½%	Bank Bills	
7 days	4–4½%	2 months	4½–4¾%
<i>Fine Trade Bills</i>		3 months	4½–4¾%
3 months	5½–6%	4 months	4½–4¾%
4 months	5½–6%	6 months	4½–4¾%
6 months	5½–6½%		

Foreign Exchanges

New York	2·80½–½	Frankfurt	11·70½–71
Montreal	2·70½–½	Milan	1742½–½
Amsterdam	10·58½–½	Oslo	20·01½–½
Brussels	139·97½–98½	Paris	13·66½–67½
Copenhagen	19·36½–½	Zürich	12·17½–½

Gilt-edged

Consols 2½%	46½	Funding 4% 60–90	89½
Consols 4%	70½	Saving 2½% 64–67	81½
War Loan 3½%	61½xd	Savings 3% 55–65	89½
Conversion 3½%	61½	Savings 3% 60–70	79½
Conversion 3½% 1969	85½	Savings 3% 65–75	73½
Exchequer 5½% 1966	100½	Treasury 2½%	45½
Funding 3% 66–68	82½	Treasury 3½% 77–80	75½
Funding 3% 59–69	81½	Treasury 3½% 79–81	74½
Funding 3½% 99–04	68½	Victory 4%	94½

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Child's Trustee Co v. C.I.R.

In the High Court of Justice (Chancery Division)
April 6th, 1960

(Before Mr Justice CROSS)

Estate duty – Settlement – Charges secured by life policies – Resettlement – Policies made fully paid up and brought into settlement – Whether passing on life-tenant's death – Whether cesser of an interest – Whether beneficial interest arising or accruing – Whether bona fide purchase of policies – Finance Act, 1894, Sections 1, 2 (1) (b), 2 (1) (d), 3.

Prior to April 30th, 1940, certain settled land, investments and money, were held for a father for life with the remainder to his son in tail. There were a number of charges on the settled assets, and some of these charges were secured by policies of assurance on the life of the life-tenant. On April 30th, 1940, the son disentailed the settled assets, and on the same day they were resettled by himself and his father with the plaintiff as the trustee. The resettlement was made in pursuance of an arrangement between father and son involving, among other things, the conversion of two of the life policies into fully-paid policies for £8,100, and for the policies to be brought into the settlement by the father.

The land was resettled on the father for life and then for the son subject to a rent-charge for the latter. The investments and money, and the policies, were also resettled on the father for life with remainder to the son. The father died on January 25th, 1958, leaving the son surviving him.

The Inland Revenue claimed estate duty on the £8,100 on the footing that this sum passed on the father's death under Section 1 or Section 2 (1) (b) of the Finance Act, 1894, or, alternatively, that estate duty was payable under Section 2 (1) (d) of the Act on the value of the son's life interest in the £8,100 arising or accruing at his father's death.

Held: (1) the father had no interest in the policies in question, and they did not pass on his death under Section 1 of the Act; (2) there was no change in the respective interests of the son and the remaindermen in the policies, and there was no passing under Section 1 for this reason, nor any cesser of an interest under Section 2 (1) (b); (3) a beneficial interest arose or accrued, under Section 2 (1) (d), in favour of the son after his father's death; (4) the policies had, within the meaning of Section 2 (1) (d), been provided by the father for the son and other beneficiaries, even though the father had received full consideration; (5) estate duty was payable on that basis.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Salaries and Fees in the Profession

SIR, - Thank you very much for the publicity which you have kindly given to the question of salaries (and fees) in the profession. All provincial audit assistants, at least, must feel very grateful to you for bringing this matter forward, after it has been for so long expediently ignored by the accountancy bodies.

I am forty years of age and qualified as a certified accountant in 1952, with continuous service in professional offices. I hold a fairly responsible position as senior clerk, for which I receive just over £10 per week.

I have held my present position for eleven years and during the whole of that time, my firm has not once been the victim of competition from unqualified accountants. In my view, the unqualified accountant is largely a myth; my personal experience is that the average client would refuse to deal with anyone who could not show some 'outward' sign of competence.

The accountancy bodies could very usefully devote some consideration to provincial accountancy and not merely in regard to the training of new personnel. The quality of audit and accountancy work must largely depend on the efficiency of the staff employed thereon, and adequate remuneration must be a prerequisite for this.

Perhaps someone may be able to persuade the senior accountancy organizations to devote a little time to the provincial section of the profession.

Yours faithfully,
DISILLUSIONED PROVINCIAL.

Co-ordination in the Profession

SIR - It has from time to time been alleged that the Institute of Chartered Accountants is, as was stated by Mr Robert Barlow in his letter appearing in your March 19th issue, run mainly for the benefit of the large London firms and that the Council is very much out of touch with the problems of the 'country cousins'. The unfortunate remarks of our President addressed to the members of the South Eastern Society, quoted in your February 27th issue, make this all too clear, and furthermore, suggest that not even the nature of work carried out in a country practice is understood. This state of affairs will, in my view, continue for as long as the Council is dominated by members from London and other large cities. It would be ideal, of course, to see an absolutely true cross section of the membership of the Institute forming the Council, but questions of time available,

distances, and other practical considerations make this extremely difficult if not impossible.

I think it is reasonable to claim that to the majority of provincial members, the main burning question at present is the deplorable lack of co-ordination within the profession as a whole, and consideration of the best solution of the dilemma. Furthermore, I think it is probable that a great number of members, possibly a majority, look to the time when registration, in some form, is introduced to bring our profession into line with others. It is evident, however, that no action is contemplated by the Institute to secure this end. Has not the time come when the rank and file of the profession should take some initiative and bring this very important question into the open at a special meeting to be convened in accordance with the provisions of Bye-Law 91? Many of us felt obliged to vote against the recent integration scheme not because of dislike of integration itself but because it was apparently regarded by the Council as an end in itself and not as the first important step towards putting the profession's house in order. Now that integration with the Society has been accomplished, bringing, in my view, negligible benefit to the profession, surely the time has come for all members to have an opportunity to express their wishes in this vital matter.

Yours sincerely,
Bedford. G. H. GENTLE, F.C.A.

Stock Exchange Dealing

SIR, - In your leading article of the April 16th issue you presume that the reason for the Revenue's reluctance to tax the amateur stock exchange speculator is due to the fact that 'amateur speculators as a whole must make a loss in order to remunerate jobbers and brokers . . . '.

Surely sir, this is a fallacy, as the general rise in stock exchange securities has in recent years more than offset dealing expenses. On page 462 of the same issue you report that in 1959 ordinary shares rose by 51.6 per cent.

Yours faithfully,
London, NW11. M. BAKER.

[A continued boom may, of course, overcome official reluctance to assess realized profits; it has apparently not done so yet. - Editor.]

Section 55, Finance Act, 1940

SIR, - I have been asked by the directors of a private limited company to advise them regarding the possible application of Section 55 on the death of a director. The company has four shareholders, all of whom are directors. There are two full-time working directors (not related to one another) and their respective wives. The two working directors each own 43 per cent of the issued shares whilst the wives

own 7 per cent each. Although the wives take no active part in the business they receive a weekly salary and bonuses are voted to them at the end of each financial year. The company has never paid any dividend.

In deciding whether Section 55 applies on the

death of one of the working directors should the shareholdings of the deceased director and his wife be treated as one?

Yours faithfully,
I.A.W.

[Husband and wife are not treated as one for Section 55 purposes. — Editor.]

Reviews

Handbook of Business Mathematics

by WILLIAM R. MINRATH. (D. Van Nostrand Co Ltd, 358 Kensington High Street, London, W14. 56s 6d net.)

Arithmetic and Accounts

Third edition, by NORMAN ROGERS, M.COM., and REGINALD W. WALLS, B.SC., B.COM., A.A.C.C.A. (Sir Isaac Pitman & Sons Ltd, London. 8s net.)

The New World of Mathematics

by GEORGE A. W. BOEHM and the Editors of *Fortune*. (Faber & Faber, London. 10s 6d net.)

The reader who feels overawed by any of these books can take comfort from the remark by Bertrand Russell, quoted in one of them, that mathematics is 'the subject in which we never know what we are talking about, nor whether what we are saying is true'. However, it should be added at once that all three works impart an air of verisimilitude sufficiently authentic for the reviewer whole-heartedly to recommend them. The first two are undisguisedly commercial in approach. The *Handbook of Business Mathematics*, with characteristic American thoroughness, covers every type of business calculation from simple arithmetic to the operations of the largest automatic digital computers and, in a final devastating chapter, considers the theory of games (not gamesmanship) in relation to business management. *Arithmetic and Accounts*, much more modest in intention but equally workmanlike within its own limits, is designed for students and the text is generously supplemented with numerous exercises and specimen examination papers.

The third book also has an eye to instruction in that its function is to introduce the general reader to the higher flights of mathematics but it is entertainment, albeit of a serious nature, in its own right. It appeared originally as articles in the *Fortune* magazine and 'the series', the jacket blandly states, 'was muddled over until the meanest of editors could understand it'. The chapter on the next generation of computers is of absorbing if somewhat frightening interest and, as a *divertissement* after the fairly concentrated text proper, a number of 'mathematical recreations' are given in an appendix.

Home-grown Timber Prices and Forestry Costings

Taxation of Woodlands in England and Wales (Fifth edition)

Both by CYRIL E. HART, M.A., F.R.I.C.S., F.L.A.S. Obtainable from the author at 'Chenies', Coleford, Gloucestershire. 5s and 3s post free respectively.

For accountants, the booklet on taxation is bound to have the wider appeal, but to those concerned with the management of woodlands *Home-grown Timber Prices and Forestry Costings* is well worth studying. Based on information compiled for the guidance of students it is right up to date, as indeed a publication of this nature must be. Woodlands are experiencing difficult times and it is essential for management to keep abreast of markets, costs and current prices. The author analyses costs and prices at every stage from clearing, planting and maintenance to felling, hauling and processing in the sawmill. Stressing the increasing emphasis on pulpwood he also indicates specific markets with detailed requirements.

To professional and estate accountants, *Taxation of Woodlands in England and Wales* is quite invaluable. Not only does it set out income tax and estate duty benefits available to woodlands but it states precisely in clear language how to make the best use of these provisions. Particularly interesting is the manner in which separate accounting for each plantation can effect substantial savings in taxation and also in estate duty; and one is left in no doubt how important it is for the method of book-keeping to be so drawn as to provide the appropriate analysis. Mention is made of an advantage in transferring woodlands under Schedule D to an estate company, but it would be interesting to have further information on how such a company distributes profits without attracting income tax or retains profits without becoming subject to surtax directions.

RECENT PUBLICATIONS

INCOME TAX: MAINTENANCE RELIEF AND AGRICULTURAL ALLOWANCES, second edition, by F. E. Cutler Jones, B.A., F.C.A. xx+282 pp. 9×5½. 32s 6d (U.K. only). Sweet & Maxwell Ltd, London.

SO YOU WANT TO BE AN ACCOUNTANT, by Derek Henry, A.C.W.A., M.O.M.A. 184 pp. 7½×5. 12s 6d net. Colin Venton Ltd, The Uffington Press, 22 High Street, Melksham, Wilts.

GROUP ACCOUNTS, A Complete Manual on Consolidated Accounts, second edition, by D. J. Bogie, T.D., B.COM., PH.D., C.A. xiv+327 pp. 10×6½. 63s. Jordan & Sons Ltd, London.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

FIFTY-FIFTH ANNUAL GENERAL MEETING

The fifty-fifth annual general meeting of The Association of Certified and Corporate Accountants was held in London last Tuesday. The President, Mr William Jackson, F.A.C.C.A., was in the chair.

Extracts from the report of the Council for 1959, presented for adoption, appeared in *The Accountant* of April 2nd.

PRESIDENTIAL ADDRESS

Mr Jackson commenced his presidential address by referring to the loss sustained by the Association through the sudden death in October last of Mr B. E. S. Rodgers, of London, a member of Council since 1950 and for many years a moderator at the Association's examinations. The President also made appreciative reference to Mr Frederick Wilson who did not propose to seek re-election on his retirement from the Council this year. Mr Wilson had striven actively for the Association for the past twenty years and before that for the Corporation of Accountants. He had been, said the President, 'for more than forty years a public man in every sense of the word'.

Referring to his two-year term of office as President, Mr Jackson said:

I am deeply indebted to all those who have assisted me so readily over the last two years with advice and encouragement, and I gladly take this opportunity of acknowledging that indebtedness. And I should not like to omit reference to my partner and staff whose exertions and sacrifices have made possible my frequent and recurrent absence from my practice. He continued:

Annual Report

The annual report of the Council and the accounts of the Association for 1959 have been circulated and you will no doubt be prepared to take these as read. Is that agreed? (*Assent signified.*) In due time I shall move the adoption of the report and accounts and I shall call upon the Vice-President to second the motion. Before doing so, however, there are a number of matters to which I should like to draw your special attention.

Memberships

The membership of the Association has shown a satisfactory increase during the year and now stands at more than 10,500 members. During 1959, 432 new members were admitted, which shows a quite substantial increase over the previous year.

The number of new students admitted in 1959 is likewise noticeably higher than in the previous year. This is, I think, a notable achievement at a time when all the professions are faced with the general problem of recruitment. This increase is most welcome and we hope that it will be maintained. It is, indeed, quite vital that the intake of students should remain at a substantial level because, as you are all aware, the rate of wastage among them is extremely high. This is not an experience which is by any means

restricted to the Association but it does reflect a most unsatisfactory state of affairs. . . .

New and welcome ideas on commercial education are developing, and it is good to know that more and more boys and girls are putting in those two important extra years at school in the sixth form after reaching the age of 16. This is a development which no professional body can afford to overlook because, unquestionably, such candidates are as a rule much better equipped to deal with professional studies than those who leave school at 16, and this fact should be recognized. The Council of the Association has given some thought to the matter and at its last meeting accepted a recommendation that boys and girls who have spent at least two years in the sixth form and who have passed not less than two subjects at advanced level in the G.C.E., shall be eligible for a reduction from five years to four in the period which is normally required for qualification for membership. Moreover, if one of their advanced level subjects is Economics they will be eligible for exemption from that paper at our own Intermediate examination.

Finance

As you will observe from the accounts for 1959 our surplus has fallen from just over £10,000 in the previous year to a little over £6,000. While this kind of surplus is not entirely unsatisfactory it must, I think, be taken as a great disappointment that it did not prove possible for us to achieve as good a result as in 1958. As I have had occasion to point out before, we have, since the war, incurred a number of deficits which even now we have only just recouped, and it would have been particularly satisfying if we could for at least one more year have recorded a surplus of the order of £10,000. Unhappily our ability to control certain types of expenditure is very limited and increases are sometimes due to circumstances over which we have absolutely no control. . . .

Examinations

I was able last year to express considerable satisfaction that the level of passes at the Intermediate examination had shown a noticeable improvement. The annual report shows that my satisfaction was a little premature, for the percentage has fallen back - not indeed to its former level, but far enough. It now stands at 37 per cent, which none of us can regard as really adequate. At Section I of the Final examination the position is almost unchanged, while at Section II of the Final the percentage has risen to 49 per cent. This, I think, is probably a little below what it should be but is reasonably satisfactory.

The Intermediate results must, however, continue to give us concern, and while one appreciates that for most students this is their first experience of a professional examination, one can hardly avoid the conclusion that a large number of them do not pay sufficient attention to their preparation.

I mentioned in my last presidential address that the special committee which the Council had appointed to consider the scope of the examination syllabus was likely to submit its report shortly. This actually took place in July last when the Council considered the recommendations of the committee for a revised examination syllabus. These recommendations were of an extensive and novel nature, the details of which will by now be familiar to all of you.

The committee's recommendations were adopted almost without amendment by the Council, and information about the revised syllabus was released in September. I do not propose to explain in any detail what these changes are because that is already done in the report of the Council. I will only say that the Council has received many congratulatory messages from all branches of commerce and industry, including the nationalized industries, as well as from educationists at all levels, on the adoption of a syllabus which, in composition and scope, is at present unique. . . .

Research Activities

While this has been going on, other members of the Association have been equally busy in connection with the work of our research committees. Possibly the two most important documents produced during the year by the Taxation Subcommittee were a memorandum to the Chancellor of the Exchequer in anticipation of this year's Budget, and somewhat earlier a memorandum addressed to the Board of the Inland Revenue dealing with the penalty provisions of the Income Tax Acts, both of which attracted a good deal of favourable comment in the national Press. Another subcommittee is meeting frequently in connection with the preparation of our evidence for submission to the Jenkins Committee on company law revision and, as you will all be aware, this is a major undertaking. Perhaps I may usefully take advantage of this opportunity to mention that if any member has any amendment of the Companies Act which he would like to suggest for our consideration, or has experienced any difficulties or problems in the operation of the Act, I should be most grateful if he would be good enough to notify the Secretary. . . .

Still other members of the research committees have been grappling with the problems arising from the introduction of electronic data processing procedures, and late last summer two new booklets were produced entitled *An Introduction to Electronic Computers* and *Managements' Initial Considerations when Planning for a Computer*. These are to be followed by a third booklet in the series which will be called *Planning and Installation for Computers*, and the series will, we hope, constitute a useful guide to those who are contemplating the installation of electronic data processing equipment. . . .

Integration

The report of the Council refers briefly to the outcome of the meetings between representatives of the Institutes and ourselves on the matter of integration and a number of members have inquired whether it was my intention at this annual general meeting to make any statement as to the future policy of the Association in that connection.

The policy of the Council has always been the full regulation of the profession by legislation. That remains our ultimate objective, because we do not

believe that it will be possible in any other way to deal with the multitude of unqualified people who are at present allowed to dabble in a variety of matters which properly fall within the field of practice of the public accountant. No one questions that there are practical difficulties and they are not becoming any less, but they have been dealt with in other countries and should not be beyond us in the United Kingdom.

With regard to the Association itself our intention is to continue and enlarge the process of development which has gone on for the last fifty years. We are now the second largest body of accountants in this country and that alone is a sound foundation on which to build.

The Association has an honourable and progressive past and it will have a similar future if we believe wholeheartedly in it and shape our endeavours accordingly. That is the Council's policy and as an earnest thereof I may remind you that we now have the most up-to-date examination syllabus of any accountancy body in this country. Naturally the Council needs the fullest co-operation and assistance of every member and I call upon you all, whether in practice or otherwise, to encourage the young people under your control to qualify through the Association.

There are other directions in which you can help. Support your district society and meet as many other members in your locality as you can. Take a more active part in local affairs, such as local government, local education, chambers of commerce and voluntary and charitable organizations. These are all important forms of public relations for the Association which only you can carry on. . . .

The Budget

In practically all the pre-Budget commentaries of financial writers any hope of tax remission was conspicuous by its absence. It therefore came as no great surprise to us to find that the Chancellor's proposals added up to a modest restriction on our spending power and a touch of the brake on the pace of expansion. I doubt whether this policy can be seriously criticized and in many respects we may congratulate ourselves that the restraints imposed are not more onerous.

Even the increase in profits tax, which was such a disappointment to industry, is not likely to do very great harm - except in the general sense that it tends to be disincentive - because it has been imposed at a time when the level of industrial profits is still rising and its incidence is to that extent mitigated. Moreover the Chancellor has kept the way open for the expansion of industry by not changing the investment allowance.

All of us - except those directly affected - will applaud the Chancellor's action in closing some of the more obvious and abused tax loopholes. This, indeed, is no more than an act of common justice to the great bulk of taxpayers and will remove the cause of a resentment which, though not particularly vocal, is nevertheless deep. The other important step which the Chancellor could - and should - have taken to remove an equally justified resentment was to equate the bases of allowable business expenses under the two main schedules, D and E.

Generally speaking the Budget lacks colour. I appreciate that the Chancellor could not give any extensive relief in taxation but he could have taken the opportunity to simplify taxation and so make it easier for the ordinary taxpayer to grasp. The recommendations in

the memoranda submitted by the accountancy bodies are mainly made in this regard and I am bound to say that it is disappointing to find that no apparent attention is paid to some of those recommendations.

On the other hand, it is particularly pleasing that the Chancellor has accepted the Association's suggestion of graduated rates of estate duty for gifts *inter vivos* which are caught by the five-year rule; and there will be universal satisfaction at the decision to value a business for estate duty purposes on a 'going concern' basis rather than on a 'break-up' basis. This also was an earlier recommendation of the Association.

After expressing appreciation for the 'generous help and guidance' he had received, during his period of office, from Mr J. E. Harris, the Vice-President and his colleagues on the Council, as well as from the Secretary and members of the staff, the President continued:

There is just one other matter to which I must refer. Most of you will remember that when Mr Latham retired from the secretaryship in 1953 he was appointed part-time director of the Association in an executive and consultative capacity. So he has remained until the present time, but he has now intimated to us his intention of retiring from this office also at the end of the present year. It follows, therefore, that this is the last annual general meeting which he will attend as an officer of the Association and I am sure that you will all wish me to express to him on this occasion our grateful thanks for nearly forty years of unbroken service to the Association.

SPECIAL RESOLUTION

The report and accounts having been adopted, the

following special resolution was put to the meeting and carried:

'That Article 33 of the articles of association be and is hereby deleted and the following new article substituted:

'33. Any member wishing to resign his membership shall tender written notice to the Council and on its acceptance by the Council but not before, his membership shall cease accordingly. Any member giving notice in accordance with the provision of this article shall remain liable to pay any subscription or other sums due from him at the date of such notice but shall not become liable for a further year's subscription solely by reason of the fact that the Council acceptance of such notice takes place after the end of the year in which it is tendered.'

ELECTION OF PRESIDENT

With the exception of Mr Frederick Wilson, referred to by the President in his address, all the retiring members of the Council were re-elected; they comprised Messrs F. A. Callaby (Darlington), W. Macfarlane Gray (Stirling), J. E. Harris (London), J. H. Hills (London), C. V. Jarvis (Manchester), Douglas Kay (Sheffield), T. R. Powell (Belfast), R. Statham (Newcastle under Lyme). The following who were co-opted to the Council during the past year were also re-elected: Messrs H. Clarke (Birkenhead), T. J. A. Barrett (London).

At the meeting of the Council of the Association which followed the annual general meeting last Tuesday afternoon, Mr J. E. Harris, B.COM., F.A.C.C.A., was elected President and Mr G. L. Barker, F.A.C.C.A., was elected Vice-President.



The United States Ambassador, The Hon. John Hay Whitney, C.B.E., was the principal guest at the Association's Presidential Dinner in the Clothworkers' Hall, London, last Monday. Photographed here (left to right) are: Mr J. E. Harris, since elected President of the Association, the Ambassador, Mr William Jackson, Mr Kenneth O. Smithers, Master of the Clothworkers' Company. A full list of guests appears at page 547.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

SEVENTY-FOURTH ANNUAL REPORT

We reproduce below the report of the Board of Governors of The Chartered Accountants' Benevolent Association for the year ended February 29th, 1960, to be presented at the seventy-fourth annual general meeting which will be held in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Wednesday, May 4th, 1960, at the conclusion of the annual meeting of The Institute of Chartered Accountants in England and Wales. A special general meeting of the Association will follow the annual meeting.

1. The Association on February 29th, 1960, consisted of 3,366 members, viz.:

The President	659 Annual Governors
101 Vice-Presidents	109 Life Members
23 Life Governors	2,473 Annual Members

being an increase of 84 during the year.

2. A list of the 105 cases in which assistance has been given during the year from the General Fund appears on pages 25 to 32.¹ During the year there were seventeen new cases and in three cases former beneficiaries were assisted again. At February 29th, 1960, there were eighty-five current cases.

Two cases are being assisted from the Special Fund.

3. The accounts for the year ended February 29th, 1960, duly audited, are annexed to this report.¹

4. The total expended by the Association in relief since its formation in 1886 amounts to £285,203.

5. The principal figures from the accounts for the last five years are:

Year	Relief £	Subscriptions £	Interest and Dividends £
1955-1956 ..	9,989	7,021	6,988
1956-1957 ..	11,305	7,176	7,562
1957-1958 ..	13,069	7,018	7,313
1958-1959 ..	14,191	7,476	7,755
1959-1960 ..	18,093	7,813	8,026

6. As forecast in last year's report there has been a very considerable increase in the expenditure on relief which amounts to £18,093 against £14,191 in 1958-59 following the review of the basis on which relief is normally granted. The Board is satisfied that the increases made in the grants have enabled our beneficiaries to maintain a more reasonable standard of living.

7. The deficit for the year amounts to £2,438. This is the first deficit to occur since 1954. The Board will devote its attention to procuring an increase in subscription revenue as soon as the matter of the proposed integration of The Incorporated Accountants' Benevolent Fund with the Association (see paragraph 17) may have been completed. It has it in mind to publish a list of subscribers some time in the coming year and to seek the help of the district societies in securing a large increase in membership. The Board is

¹ Not reproduced.

concerned that only a mere 10 per cent of the members of the Institute should support the Association.

8. Christmas food hampers have, as usual, been sent to the majority of our beneficiaries. Gifts of clothing and special donations have been made in appropriate cases. The cost to the Association of this expenditure has been reduced by the income from the H. F. Holloway Memorial.

9. During the year the Association has received the following legacies and donations:

Legacies:	£
Administrators of the late Mr H. C. Merrett, F.C.A. ..	4,732
Executors of the late Mrs A. I. Hardy ..	250
" " Mr A. W. Death, A.C.A. ..	204
" " Mr D. B. Jones, A.C.A. ..	100
" " Mr T. G. Mellors, F.C.A. ..	90
" " Mr E. D. Hawthorn, A.C.A. ..	48
	<u>£5,424</u>

Donations:	£
Dowager Countess Eleanor Peel Trust ..	350
Mr O. Haworth, F.C.A. ..	105
Bekonscot Model Railway and General Charitable Trust ..	100
Mr R. F. Bland, F.C.A. ..	100
Anonymous ..	100
Mr C. J. W. Fahey, F.C.A. ..	63
Mr A. F. McKno, F.C.A. ..	52
Mr R. E. F. Sneath, M.C., M.A., F.C.A. ..	52
Mr H. V. Wood, F.C.A. ..	52
T. C. Fitton Will Trust ..	52
Mr W. H. Wright, F.C.A. ..	42
Delmar Charitable Trust ..	20
Others ..	253
	<u>£1,341</u>

The Association is grateful to a member who wishes to remain anonymous who has sent a collection of postage stamps to be sold for the benefit of the Association.

10. The sum of £47 was received from the collection at the annual Church Service.

11. Grants from the W. B. Peat Memorial Scholarship Fund amounted to £140. The number of cases assisted on February 29th, 1960, was four (on March 1st, 1959, six).

12. The Board has continued to take steps to ensure that in appropriate cases the maximum grants available from the National Assistance Board are obtained provided that no loss of income to our beneficiaries is involved. In one case the Honorary Secretary appealed on behalf of a beneficiary against a decision of the National Assistance Board and the Appeal Tribunal increased the grant from £3 2s 6d to £5 per week. Grants have also been obtained from County Councils to assist in the maintenance of those who are in homes for old people.

13. During the year it has been possible to rearrange our entitlement to places in the homes of Crossways Trust so that we now have six places in homes for the infirm and four places in homes for the able-bodied instead of five places in each type of home. Two of those in homes for the able-bodied have entered homes for the infirm and all the six places in homes for the infirm are now filled and there is a waiting list. There are three vacancies available in the homes for the relatively able-bodied and the Honorary Secretary would be glad if members would let him know of any retired member (married or single) or of any widow of a member who might wish to be considered for a place in one of these homes. To be eligible, a person must be in need of care and attention and have insufficient means to pay for board and lodging and care and attention at normal rates.

14. It is the policy of the Board to ensure that as far as possible a member of the Institute living near a beneficiary or applicant for relief, acts as a referee and is available to give advice when required. Such assistance from members is of the greatest value to the Executive Committee in considering applications. The Board wishes to thank district societies, branches and groups, for their help in appointing members for this purpose and also to thank those appointed for the considerable time and trouble they have taken in helping beneficiaries.

15. The Board records with great regret the death of Sir William Henry Peat who has been a member of the Board for over twenty-two years.

16. Mr Henry Peat, D.F.C., F.C.A., has been elected to fill the vacancy on the Executive Committee.

17. In last year's report reference was made to the possibility of merging The Incorporated Accountants' Benevolent Fund with the Association. The Board is happy to report this matter is now nearing finality and draws the attention of members to the Association to the notice calling a Special General Meeting on May 4th, 1960, and to the resolution and the memorandum which follow [see below]. The Board believes that the proposals will commend themselves to an overwhelming majority of the members of the Association.

18. It was mentioned in the last report that the Association was a substantial beneficiary of the estate of the late Mr H. C. Merritt, F.C.A., and that as an exceptional measure Chartered Accountants' Trustees Limited was administering the estate through two honorary officers of the Association acting as its nominees. The administration is proceeding and the administrators have transferred £1,000 Victory 4 per cent Bonds to the Association on account of its

interest in the estate. These bonds have been sold for £4,732 and this amount is included in the list of legacies in paragraph 9 of this report.

19. The Board wishes to record its warm appreciation to Mr B. J. Davis, Mr R. W. L. Eke and Mr G. L. C. Touche for their work as members of the Investment Sub-Committee of the Executive Committee of the Association.

20. The Board is grateful to Messrs Markby, Stewart & Wadesons, the honorary solicitors, for their advice and help.

21. The Board thanks the editors of *Accountancy* and of *The Accountant* for the publicity they have given to the affairs of the Association during the year. Brief reports of the quarterly meetings of the Executive Committee are published in these journals.

22. The Board wishes to place on record its high appreciation of the work of the officers and staff of the Institute.

23. The honorary auditors, Mr Geoffrey Bostock, F.C.A., and Mr Leonard Walter Bingham, F.C.A., retire and kindly offer themselves for reappointment.

W. S. CARRINGTON,
President.

March 30th, 1960.

Resolution to be submitted to the Special General Meeting

That this Special General Meeting of the Members of the Chartered Accountants' Benevolent Association (hereinafter called 'the Association'), on the recommendation and with the approval of the Board of Governors of the Association (hereinafter called 'the Board') hereby approves the proposals laid before it for the integration of The Incorporated Accountants' Benevolent Fund with the Association and with a view to implementing the said proposals resolves as follows:

(A) That, subject to and forthwith upon the Consent of the High Court hereinafter referred to having been obtained the Rules and Regulations No. 2 and 2 (a) of the existing Rules and Regulations of the Association be deleted and that the following new Rule and Regulation be substituted therefor subject to any modification or addition which the Court may approve.

'2. The objects of the Association shall be:

(a) the relief of necessitous persons (whether or not being members of the Association) who are or have been members of either The Institute of Chartered Accountants in England and Wales or The Society of Incorporated Accountants and of their necessitous wives, widows, children or dependants;

(b) the maintenance and education of necessitous persons who have been articleed as clerks to members of either The Institute of Chartered Accountants in England and Wales, or The Society of Incorporated Accountants, or who have been registered students of The Society of Incorporated Accountants and who (whether so articleed or so registered) have been disabled as a result of the war of 1939-45 and of the necessitous dependants either of any such articleed clerks or registered students, or of any other persons who having been articleed as clerks to members of either the said Institute or the said Society or having been registered

students of the said Society lost their lives as a result of the said war.'

(B) That the Executive Committee of the Association be and it is hereby authorized on behalf of the Association and the Board:

(a) to take all such steps as it may consider necessary or desirable to obtain the consent of the Court to the said alteration of the said Rules and Regulations and for that purpose, if so advised, to sue in the names of the members of the said committee or in the name of the Association or the Board;

(b) to consent to any modification of or addition to the said alteration which the Court may think fit to approve or to any condition which the Court may think fit to impose.

(C) That Rule and Regulation 7 of the existing Rules and Regulations of the Association be and it is hereby altered by the deletion of the words 'If the Board shall appoint an Executive Committee, it shall consist of fifteen members' and the substitution therefor of the words 'The Executive Committee so appointed shall consist of fifteen members but the said Executive Committee shall have the power to co-opt up to two additional persons to be members of the Executive Committee and such persons need not be members of the Association.'

NOTE

Rules and Regulations No. 2 and 2 (a) are now as follows:

2. *The object of the Association shall be the relief of necessitous persons who are or have been members of The Institute of Chartered Accountants in England and Wales, whether subscribers to the Association or not, of their necessitous wives and children, and of the necessitous widows and children of deceased persons who have been members of the Institute, and in the event of the death of a person who is or has been a member of the Institute, without leaving widow or child, the relief of necessitous relatives or others dependent on him for support.*

2 (a). *It shall also be an object of the Association to assist in proper cases in the maintenance and education of a person who has been articulated as a clerk to a member of The Institute of Chartered Accountants in England and Wales and who was disabled as a result of the war of 1939-1945 and of the dependants of any such articulated clerk and of any articulated clerk who lost his life as a result of the said war and also to assist in the education of the children of any such articulated clerks.*

The Memorandum

1. In the annual report for the year ended February 28th, 1959, reference was made to the possibility of merging 'The Incorporated Accountants' Benevolent Fund (the Society's Fund) with the Association.

2. Details have now been worked out to bring about the merger with the approval of the Trustees of the Society's Fund and after discussion with The Scottish Chartered Accountants' Benevolent Association and the Irish Institute who both approve the proposals.

3. These proposals provide for the closing of the Society's Fund and the transfer of its assets and liabilities to the Association. The Rules of the Association will require amendment so that relief may be given to former members of the Society who did not become members of The Institute of Chartered Accountants in England and Wales and to the widows, children and dependants of such members; and also in certain cases arising out of the war of 1939-45, to disabled students of the Society and to the dependants

of such students and to the dependants of students who lost their lives. If the necessary alterations to the Rules of the Association are approved by members at the Special General Meeting to be called on May 4th, 1960, an application will be made to the Court by the Trustees of the Society's Fund and by the Association for approval to be given to the proposals.

4. The great majority of those who were members of the Society at the date of integration have now become members of the English Institute and as such are entitled to apply, in case of need, for assistance from the Association, as are also their widows, children and in certain cases their dependants. For this reason, and contingent upon the Association amending its Rules to ensure that all other potential beneficiaries from the Society's Fund are eligible for relief from the Association, the Trustees of the Society's Fund propose seeking the consent of the Court to the transfer of that Fund to the Association. The Board of Governors, in view of the strength of the funds of the Association, as augmented by the Society's Fund, and its opinion that subscription revenue can and will be considerably increased, has no hesitation in putting forward the proposals which it is believed will commend themselves to an overwhelming majority of the members of the Association.

5. Claims may arise in respect of former members of the Society, or their dependants, who have become members of either the Scottish or the Irish Institute of Chartered Accountants. The Board does not foresee any difficulty in dealing with these claims on the merits of each case in collaboration with the benevolent fund of the other Institute concerned. As the Association will assume responsibility for any case relating to a former member of the Society, whether or not such member ever became a member of one of the three Institutes, neither the Scottish nor the Irish Institute is claiming an apportionment of the assets of the Society's Fund.

6. The net assets of the Society's Fund at December 31st, 1959, were as follows:

	£	£
Investments at market value ..		26,904
Cash		2,687
Income tax recoverable (estimated)	200	
Less Creditors (estimated) ..	125	
		<u>75</u>
		<u>£29,666</u>

The grants made by the Society's Fund in 1959 (thirty-four cases) amounted to £2,934. In the opinion of the Board it is unnecessary to make any valuation of the future payments in respect of these cases and impossible to do so in respect of further applications which may be received.

7. Finally the Board wishes to place on record its assurance to the Trustees of the Society's Fund that, if the two funds are merged, it will deal with all applications arising in respect of former members of the Society no less generously than has been the case hitherto. The Board is hopeful that the increase in the claims on the Association will be met by an increase in the number of its subscribers drawn both from former members of the Society and others who have hitherto not been subscribers.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The eighteenth annual general meeting of the London and District Society of Chartered Accountants will be held on Tuesday, May 31st, 1960, in the Oak Hall at the Institute, Moorgate Place, London, EC2, at 6 p.m. The report of the Committee for the year ended March 31st, 1960, and details of some of the activities of the Society are given below.

Committee

Mr J. D. Russell, M.A., Chairman, Mr G. R. Appleyard, Vice-Chairman, Messrs J. A. Allen, G. F. Ansell, C. W. Aston, C. J. M. Bennett, B.A., C. V. Best, P. R. Bradshaw, D. A. Clarke, LL.B., J. W. Cooke, N. Cassleton Elliott, M.A., L. J. Ezra, D. Garrett, J. S. Harrower, D. V. House, A. P. Hughes, G. B. C. Hughes, B.A., H. B. Huntington-Whiteley, R. O. A. Keel, J. A. B. Keeling, D.F.C., M.A., J. H. Mann, M.B.E., M.A., B. A. Maynard, M.A., D. Napper, G. C. Peat, C. Romer-Lee, M.A., A. C. Simmonds, G. A. Slator, H. Gordon Smith, A. G. Touche, D. C. Urry, Miss Ethel Watts, B.A., Miss W. K. Wells, B.A., C. J. F. Wilkinson, J. W. G. Cocke, T.D., M.A., Secretary.

Membership

The membership of the Society on March 31st, 1960, was 6,530 against 6,016 last year, being a net increase of 514.

Formation of Branch

The Group for Bedfordshire, Buckinghamshire and Hertfordshire attained the status of a Branch after satisfying the necessary formalities. The inaugural meeting was held on December 9th, 1959, attended by the President of the Institute and the Chairman of the Society. The Branch Chairman, elected at this meeting, is Mr T. R. Keens, and the Hon. Secretary, Mr E. J. Frary.

Future Major Events

Support from members for residential conferences has been such that it seems desirable to hold, each year, one concerned with management accounting and another with taxation.

The Committee of the Society will not be arranging an annual dinner this year because the Council have decided to hold an Institute Dinner in London in October 1960.

Programme

Details of the activities of the Society are given at the end of this report.

The Committee desires to express its appreciation and thanks to all those who have addressed meetings of the Society.

The Committee would welcome suggestions for next season.

Activities of Subcommittees

(a) Regional Taxation and Research

The Regional Taxation and Research Committee, under the chairmanship of Mr G. R. Appleyard, has given consideration during the year to current legislation and matters, including the revision of the Companies Act, referred by the main Taxation and Research Committee or raised by members.

(b) Students' Societies

Liaison has been maintained with the Chartered Accountant Students' Societies of London and Oxford through representatives on the respective committees, and by the attendance of officers of the district society at students' societies' social functions, and in particular, at meetings in London for those successful in the May and November Final examinations.

(c) Education and Training for the Profession

Further submissions were made to the Parker Committee on Education and Training for the Profession and representatives from the Committee attended a meeting between members of the Parker Committee and representatives from other District Societies.

(d) Recruitment

Members of the Committee and other members of the Society have attended various Careers Conventions and Exhibitions arranged by Youth Employment Officers and Schools and have advised school-leavers and their parents on careers in Accountancy.

(e) Advice to Members and Articled Clerks

A number of applications for advice were dealt with during the year by consultation with members of the Committee.

(f) Groups

A meeting of representatives of groups with members of the District Society's Committee was held during the year at which matters of mutual interest were discussed.

Council Membership

The Committee considered the names of the London members retiring by rotation from the Council at the 1960 Annual General Meeting and decided not to submit any other nominations.

Committee Membership

Nominated Members

The representatives of the Council of the Institute are Messrs D. A. Clarke, D. V. House and J. H. Mann. The Chartered Accountant Students' Society of London has been represented by Mr W. K. Wells for eight years.

It is considered desirable to provide for representation of Branches on the Committee and separate notice is being given of a proposed alteration in the Rules to make this possible. In the meantime the new Branch covering Bedfordshire, Buckinghamshire and Hertfordshire has been invited to send an observer to attend meetings of the Committee.

Vacancies on the Committee

In Practice - Four vacancies

Messrs C. J. M. Bennett, A. P. Hughes and C. Romer-Lee retire in accordance with Rule 7 and, being eligible and willing to serve, are deemed to be nominated for re-election. Mr A. G. Touche retires under Rule 7 and does not seek re-election, having served on the Committee for three years. The Committee wish to place on record their appreciation of his services.

Employed in the service of a practising accountant -

One vacancy

Mr L. J. Ezra retires in accordance with Rule 7 and, being eligible and willing to serve, is deemed to be nominated for re-election.

Not in either of the foregoing categories - Two vacancies

Mr D. C. Urry retires in accordance with Rule 7 and Mr G. A. Slator retires in accordance with Rule 18. Being eligible and willing to serve, they are deemed to be nominated for re-election. Mr Slator was co-opted in place of Mr S. L. Pleasance who retired during the year owing to pressure of business.

Finance

In 1959 the grant received from the Institute was increased to £2,255 and grants totalling £135 were made to District Groups.

A non-recurring expense of £97 arising from the formation of the Beds., Bucks. and Herts. Branch has been deducted from the accumulated fund.

The audited accounts for the year ended December 31st, 1959, are attached hereto. Messrs Sydenham, Snowden, Nicholson & Co have kindly agreed to continue to act as Honorary Auditors.

For and on behalf of the Committee,

JOHN D. RUSSELL,
Chairman.

April 27th, 1960.

Programme 1959-60**(a) Evening Meetings**

The following addresses were given in the Oak Hall of the Institute:

October 27th, 1959. 'What the investment analyst would like to see in company reports and accounts', by Mr A. R. English, F.C.A.

December 9th, 1959. 'Company reports from the director's point of view', by Mr C. W. Aston, F.C.A.

March 8th, 1960. 'Important tax decisions of 1959', by Mr E. C. Meade, A.C.A.

April 5th, 1960. 'The growth of State pensions and their effect on occupational schemes', by Mr R. W. Abbott, F.I.A., A.S.A.

Mr C. W. Aston kindly deputized for Sir Halford Reddish, F.C.A., who was to have given the address on December 9th, 1959, but was prevented by illness.

It had been arranged that Mr Harold Wincott should speak on 'Every Man an Investor', but, unhappily, he was prevented by injury from giving his address.

(b) Luncheons

Two luncheons were held at the Connaught Rooms, Great Queen Street, London, WC2, and short addresses were given by the following Speakers:

November 16th, 1959. Sir Arthur fforde, M.A., Chairman of the British Broadcasting Corporation.

February 15th, 1960. The Rt. Hon. Viscount Simon, C.M.G., Chairman of the Port of London Authority.

(c) Dinner and Dance

A dinner and dance was held at Grosvenor House, Park Lane, on March 30th, 1960. This popular occasion was very well supported, the attendance having exceeded 900. As in previous years the Society was honoured by the attendance of the President of the Institute, who, with the Chairman, received the guests.

An invitation to the above meetings was extended to Scottish and Irish chartered accountants in London.

(d) Dinner to the President

The Committee of the Society, together with London members of the Council, will be entertaining the President and Vice-President of the Institute and the Presidents of the District Societies to an informal dinner on May 4th, 1960.

(e) Annual General Meeting

Refreshments were available after the annual general meeting in 1959 and an opportunity was given to members to meet London members of the Council, members of the Committee and officials of the Institute.

(f) Annual Dinner

A dinner for members was held in the Egyptian Hall of the Mansion House, on October 6th, 1959. The guests present included the Lord Mayor, a past Chairman of the Society, and the President of the Institute.

(g) Residential Conferences

A residential conference on the subject of management

accounting was held at Pembroke College, Cambridge, on September 24th-26th, 1959.

A residential conference on the subject of taxation was held at *The Grand Hotel*, Eastbourne, on March 17th-19th, 1960.

Beds., Bucks. and Herts. Branch

Members in Bedfordshire, Buckinghamshire and Hertfordshire should take advantage of the activities of the Branch and those who have not yet joined should do so by applying to the Hon. Secretary:

E. J. Frary, 26 Victoria Street, Luton, Beds. The subscription is 10s 6d per annum.

District Groups

Members of the Committee visited the District Groups which have held meetings for discussion and lectures and also social functions.

Their hon. secretaries are:

Jersey Group

C. G. Pile, Star House, Mulcaster Street, St Helier, Jersey.

Oxford and Area Group

R. A. Wilkinson, M.A., 1/5 Broad Street, Oxford.

Reading and District Group

B. G. Bubb, B.COM., 23 Richmond Road, Caversham, Reading, Berks.

Southend Group

A. A. Stewart, c/o Southend Waterworks Company, 13 Cambridge Road, Southend-on-Sea, Essex.

Discussion Groups in London

The discussion groups in London have held meetings during most months on subjects of topical interest, introduced either by members or by guest speakers. The meetings are informal, and after short opening remarks, all members are given the opportunity of contributing to the discussion.

The specialized groups, on Taxation and Management, continue and are open to all members of the District Society.

New members are always welcome and those interested in joining any of the groups mentioned below should write to the honorary secretary of that group.

Central London Discussion Group

Meets at *The Lamb and Flag*, 33 Rose Street, Covent Garden, London, WC2, at 6.30 p.m., on the second Thursday of each month, October to April. The subscription is 10s per annum. Hon. Secretary: S. J. Dent, 71 Great Russell Street, London, WC1.

City Discussion Group

Meets at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 for 6.30 p.m. on the second Wednesday of each month. The subscription is 10s per annum.

Hon. Secretary: J. C. Durnin, 32 Victoria Street, London, SW1.

North London Discussion Group

Meets at the *Russell Hotel*, Russell Square, London, W.C.1, at 6.30 p.m. on the third Wednesday of each month, October to May inclusive. The subscription is 10s 6d per annum.

Hon. Secretary: D. B. Parke, 22 Long Ridges, Fortis Green, London, N2.

South West London Discussion Group

Meets at *The Kingston Hotel*, Wood Street, Kingston upon Thames, Surrey, at 6.45 p.m., on the first Monday of each month, October to May. The subscription is 10s 6d per annum.

Hon. Secretary: F. Jones, 695 Salisbury House, London Wall, London, EC2.

Taxation Discussion Group

Meets at *The Cheshire Cheese*, 10 Surrey Street, London, WC2 (entrance in Howard Street), at 6 for 6.15 p.m. on the first Wednesdays of October to June. The subscription is 10s per annum.

Hon. Secretary: W. J. Bailey, 54 Old Broad Street, London, EC2.

Management Discussion Group

Meets, by kind permission, at the offices of Samson, Clark & Co Ltd, 57 Mortimer Street, London, W1, at 6 p.m. on the fourth Wednesday of each month, October to April.

Hon. Secretary: K. Hoare, 5 London Wall Buildings, London, EC2.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

SEVENTY-SEVENTH ANNUAL GENERAL MEETING

The annual general meeting of the London Students' Society was held last Monday at the Chartered Insurance Hall. Mr W. E. Parker, C.B.E., F.C.A., the President, was in the chair.

Committee Chairman's Remarks

In seconding the adoption of the report and accounts for 1959, Mr M. W. Russell, A.C.A., the Chairman of the Committee, drew attention to the fact that income exceeded expenditure by £1,900. The increase of the surplus over the £800 for 1958 was mainly due to the inclusion for the first time of a full year's subscriptions from members transferred from the Incorporated Accountants' Students Society. He emphasized that the general tendency was for costs to rise faster than income, so that it would not be right to expect a series of such additions to the Accumulated Fund. Referring to the list of investments of the Revenue Fund, he pointed out that the policy of the Committee in the past had been to buy gilt-edged stocks and to arrange the redemption dates in a ladder which would secure ultimately a substantial excess over cost in money value. Advice was now being taken on the investment of the 1959 surplus and the advisability of putting some of the funds in equities.

The Committee wished to emphasize that the library facilities were not being used enough. Students could have up-to-date textbooks at a much lower cost than they would have to meet if they bought the books themselves. He referred to the quotation in the annual report of the student who suggested that the Society might start a lending library. There were many members who were equally lacking in knowledge of and interest in the Society's facilities. The Committee were doing all they could to overcome this handicap.

Constitution of the Committee

Turning to the constitution of the Committee, he emphasized that the Society was run by students for students. There were a very few qualified members on the Committee and they were all former student members. The Committee welcomed the fact that this year there were fourteen candidates for the seven places to be filled. One further point occurred in this connection; members of the Committee were not delegates from any subsection of the Society. They were there as students representing all the student members.

In conclusion, Mr Russell reminded members of the approaching date of the summer dance and thanked the Society's staff for their enthusiasm in pursuing its aims.

After a number of questions had been raised on the report and accounts they were adopted unanimously.

The following officers who retired under the rules were re-elected with the lively thanks of the Society for their past support and for their willingness to continue their connection with its work:

President: Mr W. E. Parker, C.B.E., F.C.A.

Vice-Presidents: Sir Harold Gillett, Bt., M.C., F.C.A., Mr Douglas A. Clarke, LL.B., F.C.A., and Mr E. Kenneth Wright, M.A., F.C.A.

Hon. Treasurer: Mr W. K. Wells, B.A., F.C.A.

Hon. Auditors: Mr H. O. H. Coulson, F.C.A., and Mr R. G. Leach, C.B.E., F.C.A.

At this meeting seven members of the Committee retired under the rules and were eligible for re-election and in addition there were seven other candidates. Four of the previous members were not re-elected, four of the other candidates being successful. The elected members were Messrs D. J. V. Endicott, R. E. J. Fisher, G. B. C. Hughes, B.A., A.C.A., M. A. Khan, B.COM., M. A. Line, M. W. Russell, A.C.A., and T. G. N. Sylvan.

Resolution Adopted

The following motion was proposed:

"That this meeting requests the Committee to investigate the possibility of promoting closer unity amongst members by finding a suitable centre for them to meet socially and informally, including facilities for obtaining refreshments, lounges, and at the same time providing accommodation for the Society's offices, library and study room, and asks the committee to report to the next annual general meeting on:

- (1) the extent of any accommodation which could be made available for the above;
- (2) the possible location of such a centre;
- (3) the estimated costs of such a scheme;
- (4) how it could be financed;
- (5) earliest date at which proposals could be put into effect;
- (6) specific objections to the proposals (if any)."

The Chairman of the Committee said they welcomed and accepted the suggestion. A similar proposal had been considered and found impracticable some time ago, but they felt that there might have been a change of circumstances since that time. A subcommittee would be set up to implement the resolution and the proposer and seconder would be asked to join the subcommittee.

The motion was adopted by the meeting.

The proceedings ended with an enthusiastic vote of thanks to Mr Parker for his conduct of the meeting and for all that he had done for the Students' Society.

Introducing a new monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

New Office

Faster, Easier Collating

THE benefits obtained from using a high-speed office duplicator may be almost completely cancelled out if there is a bottle-neck in collating finished sheets. A mechanical collator which is simple in design, reasonably priced, and occupies little floor space, has recently been improved by the addition of an electric jogger. This device automatically aligns the finished sets, ready for stapling.

The collator comprises two six-stack units harnessed in tandem. Pressure on the pedal raises the top sheet from each stack so that all are easily collected by hand.

Other machines in the series include up to sixteen stacking positions which, to economize in space and make manual operation easier, are placed vertically, instead of horizontally. The jogger attachment can be fitted to any of them.

Price of the jogger is £23 10s. Six-stack collator £38 10s. Others *pro rata*.

Metro Duplicator Supply Co Ltd, 57 Holborn Viaduct, London, EC1.

Fully-automatic Desk Calculator

NEWEST electric desk calculator in the Diehl series is the *Model V*. The machine, which incorporates a number of new features, has automatic multiplication and division, direct addition and subtraction, and is available with a capacity of 9 by 9 by 18, or 8 by 7 by 15.

The *Model V* has a full keyboard with keyboard checking register, individual column and entire keyboard clearance controls, and full tens transmission in all registers. An electric carriage shift-bar gives left or right movement. Direct setting may be made into the product and revolution registers.

For automatic multiplication, both factors are entered on a single keyboard, and both are visible. To speed up work, there is an automatic short-cutting cycle in both positive and negative operations. This

means that if, for example, the multiplier is 9998, the machine merely subtracts 2 from 10,000. Other features include constant multiplier lock, automatic accumulative positive or negative short-cut multiplication, positive or negative accumulation of multipliers, automatic carriage movement, dials clearance and keyboard clearance.

Positive or negative division is done automatically and the machine places the decimal point correctly. Line-up of dividend and divisor is automatic and positive or negative quotients can be accumulated if desired.

Addition and subtraction may be done with or without automatic keyboard clearance, and a count can be made of positive or negative items.

Archmides-Diehl-Machine Co Ltd, Chandos House, Buckingham Gate, London, SW1.

Multi-purpose Rubber Stamp

A LARGE collection of rubber stamps clutters up the desk top, attracts dust, and presents an irritating selection problem when one is needed in a hurry. The *Dial-a-Phrase* can take the place of a round dozen stamps, since it offers a choice of twelve alternative wordings such as 'ordered', 'delivered' and 'paid', along with the date.

The dating part of the stamp is set in the standard way, by moving knurled wheels. Wordings are numbered and printed on a plate on the side of the stamp, the changes being rung by turning a wing nut until the desired number shows up in a little dial alongside it.

Price 10s 6d.

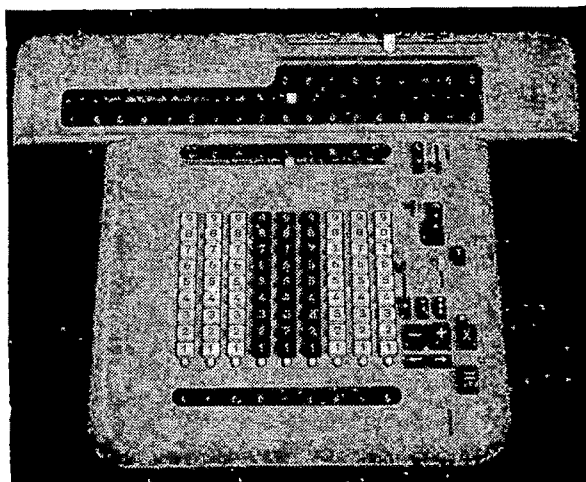
A. Ludwig & Sons Ltd, 5 Laurence Pountney Lane, Cannon Street, London, EC4.

Reconditioner for Punched Cards

DELAYS, jams, inaccurate calculations and handling difficulties result from using crumpled cards in electro-mechanical punched-card systems and electronic computers. An American machine, available in this country for the first time, obviates these difficulties and saves re-punching by reconditioning existing cards.

The *Carditioner* is electrically powered, automatically fed, and processes up to 275 eighty- or 160-column cards per minute. The damaged cards are placed in a hopper. Before being processed they are sensed by a device which automatically rejects those to which a pin or other extraneous matter is attached. The remainder are conveyed into the machine where heavy-pressure rollers iron out creases, dents and warps. The reconditioned cards are stacked in a delivery tray at the rear.

American users of the *Carditioner*, which has been available in that country for five years, report that it has reduced by up to 80 per cent the time previously lost through machine jamming by imperfect cards.



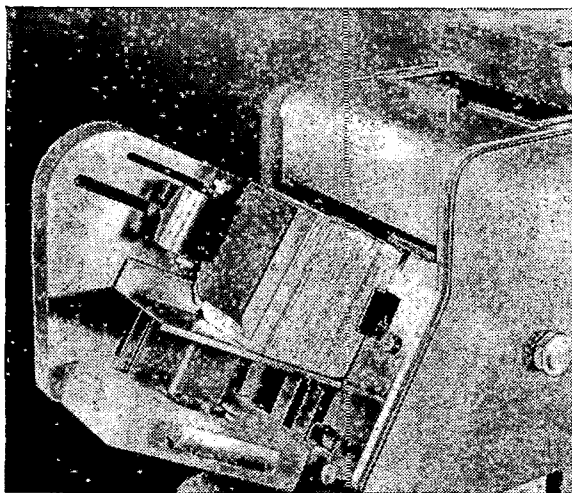
The Diehl 'Model V' Calculator

Equipment

Labour cost savings achieved by these results have paid for the machine within eighteen months.

Though heavy (about $1\frac{1}{2}$ cwt.) the machine is small enough to go on a table top; or, if desired, a special stand can be supplied. Price: £1,490.

K. S. Paul (Printing Machinery) Ltd, Great Western Trading Estate, Park Royal Road, London, NW10.



The Carditioner

Automatic Mailing Machine

EXPERIENCE has shown that an automatic mailing machine, even if used infrequently, can often justify its cost because of the immense amount of labour it saves. Further, the work of envelope 'stuffing' is so soul-destroying that it is not always easy to find people to do it.

A machine known as the *Bradma Inserta* is designed for placing catalogues, brochures, magazines, and other material in similar format into envelopes. Working at speeds of up to 3,600 pieces per hour, the machine accepts envelopes from 8 in. by 5 in. to $12\frac{1}{2}$ in. by 9 in. in size, and contents from 7 in. by $4\frac{1}{2}$ in. to 11 in. by $8\frac{1}{2}$ in. and varying in thickness from four sheets to $\frac{3}{8}$ in.

Magazines are stacked on a conveyor belt from which they are fed automatically to the machine from the bottom of the pile, a gauge ensuring that only one item is moved at a time. Envelopes are stacked separately and are also automatically fed. They are supplied with the tuck-in flap already in position and the machine gums up another open side. This arrangement saves hand tucking and at the same time conforms with printed paper postal regulations.

The filled and gummed envelopes are counted automatically by an electric device.

Bradma Mailing Machines Ltd, 2-10 Telford Way, London, W3.

Compact Stationery Tidy

IT would hardly be more extravagant to throw a few ten-shilling notes into the waste basket than quantities of good-quality letter-headed typing paper. Yet wastage of this sort occurs daily in many offices through lack of storage facilities in individual secretaries' desks.

The *Segregat* offers a neat solution to this storage problem. Small enough ($8\frac{1}{2}$ in. wide, 14 in. long, 4 in. deep) to fit into a desk drawer, it comprises a steel case with seven compartments to hold sizes of paper varying from foolscap to smaller. Price £3 5s.

Intercontinental Office Equipment Ltd, Knightsdowne House, Vivian Road, Harborne, Birmingham, 17.

Multi-purpose Tape Recorder

THE *Saja* office tape recorder is efficient, versatile and reasonably priced. Equally suitable for conference recording or ordinary dictation it can also, by adding a small attachment, be used to amplify and/or record both sides of any telephone conversation.

Its unusually sensitive microphone picks up, with utmost clarity, voices at least ten feet away. Nevertheless, if held close to the lips, it almost completely excludes even the loudest background noises.

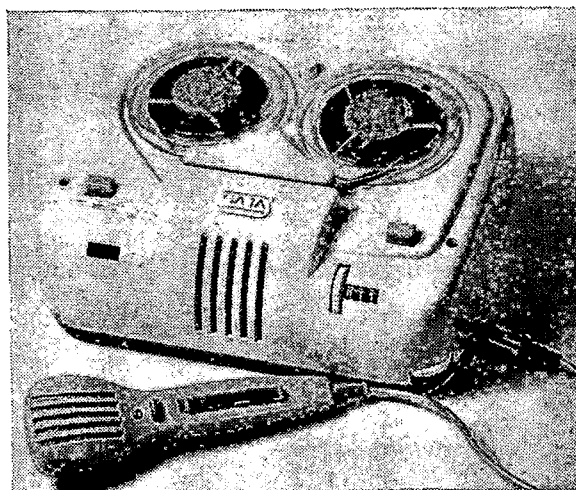
The *Saja* accepts two sizes of tape reel—one for twenty minutes', the other for sixty minutes' recording. The tapes, which run at uniform speed throughout their length, have twin tracks. This permits an executive dictating on one track to record additional words at any point without erasing what comes after to make room for them. The switch to the second track is indicated on the paper slip passed to the typist.

Precision indexing is a valuable feature. A numbered gauge is so accurate as to allow even a syllable to be located without difficulty. All dictation controls are situated on the microphone.

Accessories include a typist's pedal control, a lightweight stethophone, the telephone attachment and a carrying case. Dictation and transcription may be done on the same machine, or a transcription only model is available for secretaries.

Recorder-transcriber, with microphone: £54 15s.

Peter Williams (Office Equipment) Ltd, 18 Charterhouse Square, London, EC1.



The Saja Office Tape Recorder

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present address of the following members of the Institute. The town at which the member was last known is shown after each name.

Lloyd Clay, F.C.A.	Liverpool
William Gretton, F.C.A.	Broadstone
Frank Norris Pinder, F.C.A.	London
George Alexander Roberts, F.C.A.	Enfield
Gilbert Taylor, F.C.A.	Bristol

PROFESSIONAL NOTICES

MESSRS HARMOOD BANNER, LEWIS & MOUNSEY, Chartered Accountants, of Liverpool and London, announce with regret the death of their partner Mr G. F. SAUNDERS, F.C.A., on Saturday April 23rd, 1960. The practice will continue to be carried on by the surviving partners under the same name as hitherto.

MESSRS BLACKBURNS, ROBSON, COATES & Co, Chartered Accountants, of 59 New Cavendish Street, London, W1, and Leeds, Bradford and Manchester, announce that the following partnership changes will take place at their Leeds office on April 30th, 1960: Mr ERIC H. NEWMAN, B.A., F.C.A., who has been associated with the firm since 1931 and a partner for the last twelve years, is retiring from the firm in order to take up business interests in the south of England. Mr PETER D. SUGDEN, M.A., LL.B., A.C.A., son of Mr ERNEST SUGDEN, and Mr MICHAEL E. ROBERTS, F.C.A., will be admitted to partnership at the same time. Both have served the firm in a senior capacity for a number of years.

MR FREDERICK J. ECCLESTONE, F.C.A., announces that he has admitted into partnership Mr IVOR M. FOX, A.C.A., from December 15th, 1959. The new firm will practise under the name of FREDERICK J. ECCLESTONE & Co, at 106 Park Street, London, W1.

MESSRS ALLAN, CHARLESWORTH & Co, Chartered Accountants, of 17 St Helen's Place, Bishopsgate, London, EC3, announce that as from April 1st, 1960, they have admitted into partnership Mr JAMES ADAMSON BROWN, C.A., who has been on their staff for some years. The name of the firm remains unchanged.

MESSRS ALLAN, CHARLESWORTH & Co, Chartered Accountants, of Liverpool, announce that their address is now Refuge Assurance House, Lord Street, Liverpool, 2. Telephone: Royal 8801.

Appointments

Mr C. W. Aston, F.C.A., has been appointed a director of Peninsular and Oriental Steam Navigation Co as from May 1st, 1960.

Mr J. B. Rubens, F.C.A., has been appointed a director of General London and Urban Properties Ltd.

Mr L. Lavy, F.C.A., has been appointed a director of Burtol Holdings Ltd.

Mr J. D. Tennant, F.C.A., has been appointed a director of Spencer Chapman & Messel Ltd, and of its subsidiary, Theodore St Just & Co Ltd.

Mr Edwin Fletcher, M.A., F.C.A., is among those nominated by the British Institute of Management to be patrons of the Centre for Interfirm Comparison.

Mr N. E. Butler, F.S.A.A., A.I.M.T.A., has been appointed Borough Treasurer of Enfield, to succeed Mr Stanley Gibson, F.S.A.A., F.I.M.T.A., who will retire in June.

OBITUARY

George Forrest Saunders, F.C.A.

It was with very great regret that we learnt of the death, which occurred last Saturday, at the age of 56, of Mr George Forrest Saunders, F.C.A., senior partner in the firm of Harmood Banner, Lewis & Mounsey, Chartered Accountants, of Liverpool and London, and a member of the Council of The Institute of Chartered Accountants in England and Wales since 1948.



Mr Saunders was articled to John H. Bourne, F.C.A., of Lewis & Mounsey, Liverpool, in September 1920. He was admitted an Associate of the Institute in 1926 and in August 1928 was admitted to partnership in Lewis & Mounsey. Elected to Fellowship of the Institute in January 1934, he became a member of the Council in August 1948. He served as chairman of the Parliamentary and Law Committee from June 1955 to June 1958 and as chairman of the Applications Committee from July 1956 to July 1959. He also served as vice-chairman of these two committees and had been a member of the Finance and Planning Committees. At the time of his death he was vice-chairman of the Disciplinary Committee and a member of the Applications, Parliamentary and Law, and General Purposes

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Committees. He also gave keen support to the Institute's summer courses at Oxford and was a member of the organizing committee.

Apart from his professional practice, Mr Saunders was a director of a number of companies and was a member of the committee of the Liverpool Society of Chartered Accountants, of which he was President in 1949-50.

At the Sixth International Congress on Accounting held in London in 1952, Mr Saunders presented a paper on 'The Accountant in practice'. The paper was reproduced in *The Accountant* of July 5th and 12th, 1952.

In 1956, Mr Saunders was appointed a member of a commission of inquiry set up by the Secretary of State for the Colonies to look into banking affairs in Eastern Nigeria.

Sir Harold Howitt writes:

'There can be few sadder instances of the loss of a valuable life in the full stride of its usefulness than that suffered by us all in the untimely death of George Saunders. We so much hoped that his recent rest had helped him to regain his old vitality, and that we should soon see him at the zenith of his professional career as President of the Institute. He would so well have filled that post, and he was already determined to give of his best in it.

'But he has already given us much in his membership of the Council where he will long be remembered for many services, and perhaps most of all for his skill and act as Chairman of the Parliamentary and Law Committee in a particularly trying period. His was also a valued influence at many summer courses. Above and beyond all this, however, we remember him chiefly as a delightful and lovable colleague, and we shall miss him sadly. To his family and partners we extend our deepest sympathy.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

The President of The Institute of Cost and Works Accountants, Mr Edward Emmerson, F.C.A., F.C.W.A., gave a luncheon party on Thursday, April 28th, at 63 Portland Place, London, W1. His guests were:

Mr Cyril M. Cohen (*Chairman, The George Cohen 600 Group Ltd*); Sir Edmund Compton, K.B.E., C.B. (*Comptroller and Auditor General*); Messrs F. M. W. Hird, F.C.A., F.C.W.A. (*a Vice-President of the Institute*); T. C. Hudson (*Managing Director, I.B.M. United Kingdom Ltd*); Ian T. Morrow, C.A., F.C.W.A. (*a past President of the Institute*); Sir Frederick Handley Page, C.B.E., F.R.Ae.S., F.C.G.I., A.I.N.S.T.T., A.R.I.B.A. (*Chairman, Handley Page Ltd*); Sir Richard Powell, K.B.E., C.B., C.M.G. (*Permanent Secretary, Board of Trade*); Messrs W. S. Risk, B.COM., C.A., F.C.W.A. (*a Vice-President of the Institute*); Lawrence W. Robson, C.A., F.C.W.A. (*a past President of the Institute*); Godfrey Talbot, O.B.E., M.V.O.; Derek du Pré (*Secretary of the Institute*).

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

President's Dinner

The President of The Association of Certified and Corporate Accountants, Mr William Jackson, F.A.C.C.A., gave a dinner last Monday at the Clothworkers' Hall, London. The following guests were present:

Messrs W. G. Agnew, C.V.O. (*Clerk to the Privy Council*); G. H. Andrew, C.B. (*Second Secretary, Board of Trade*); E. I. Baker (*H.M.S.I., Ministry of Education*); Paul Bareau (*City Editor, 'News Chronicle'*); G. L. Barker (*Member of Council*); T. J. A. Barrett, (*Member of Council*); R. P. Baulkwill, C.B.E. (*Public Trustee*); Professor W. T. Baxter, (*Professor of Accounting, University of London*); Messrs R. T. Bell (*An Assistant Secretary of the Association*); F. Bower, C.B.E. (*President, The Association of British Chambers of Commerce*); The Rt. Hon. The Viscount Brentford; Mr P. A. Bundy (*Chief Accountant, Atomic Weapons Group, U.K. Atomic Energy Authority*).

Sir Sidney Caine, K.C.M.G. (*Director, London School of Economics*); Messrs F. A. Callaby (*Member of Council*); V. F. Carter (*Chairman, Samuel Elliott & Sons (Reading) Ltd*); E. W. Cheer (*Director, Howard de Walden Estates Ltd*); V. R. Chennell (*Member of Council*); L. F. Cheyney (*Secretary, The Institute of Municipal Treasurers and Accountants*); William Clark (*Member of Parliament, Nottingham South*); H. Clarke, (*Member of Council*); William Clarke (*City Editor, 'The Times'*); H. A. L. Cockerell (*Secretary, The Chartered Insurance Institute*); Sir Edmund Compton, K.B.E., C.B. (*Comptroller and Auditor General*); Sir Cecil Crabbe (*Chief Registrar of Friendly Societies*); Messrs C. R. M. Davidson (*An Assistant Secretary of the Association*); William Davis (*City Editor, 'Evening Standard'*); R. Dawes (*Director, Electric & Musical Industries Ltd*); The Rt. Hon. Lord Denning (*A Lord of Appeal in Ordinary*); Messrs Derek du Pré (*Secretary, The Institute of Cost and Works Accountants*); R. J. Eagle (*Shipley, Blackburn, Sutton & Co*); H. Eason, (*Secretary, The Institute of Bankers*); The Lord Ebbisham, T.D. (*President, The London Chamber of Commerce*); Messrs Frederick Ellis (*City Editor, 'Daily Express'*); E. Emmerson (*President, The Institute of Cost and Works Accountants*); G. B. Esslemont, C.B.E., J.P. (*President, The Institute of Municipal Treasurers and Accountants*); E. D. Foster (*Editor, 'The Director'*).

Messrs J. A. Gopsill (*Member of Council*); W. Macfarlane Gray, J.P., (*Member of Council; Provost of the Royal Burgh of Stirling*); J. E. Harris (*Vice-President of the Association*); R. A. R. Hill (*Director, Mond Nickel Co Ltd*); J. H. Hills (*Member of Council*); E. Holt (*Controller of Finance, Dunlop Group of companies*); K. D. Hughes (*Director, John Manners Ltd*); Percy F. Hughes (*Chairman, Gee & Co Ltd; Editor, 'Taxation'*); P. Jardine (*Group Financial Controller, Metal Industries Ltd*); The Rt. Hon. Lord Jenkins (*A Lord Justice of Appeal; Chairman, Company Law Amendment Committee*); Messrs C. M. Jennings (*Assistant Treasurer, Imperial Chemical Industries Ltd*); A. J. Jewell (*Secretary, Jensen & Nicholson Group Ltd*); Messrs Sydney C. Jones (*Member of Council*); Douglas Kay (*Member of Council*); J. W. Kerr (*Secretary, The Morgan Crucible Co Ltd*); C. E. Keysell, M.B.E. (*Vice-President, The Chartered Insurance Institute*); H. M. O. Knox, O.B.E. (*Deputy Chairman, The Stock Exchange*).

Mr J. C. Latham, D.L. (*Director of the Association*);

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Messrs J. P. Landau (*Landau, Morley & Scott*); J. Leckie, C.B. (*Second Secretary, Board of Trade*); M. A. Liddell, (*Parliamentary Agent, Accountants' Joint Parliamentary Committee*); Leo T. Little (*Editor, 'Accountancy'*); Sir Sydney Littlewood (*President, The Law Society*); Messrs Ernest Long (*President, The Chartered Institute of Secretaries*); D. C. Lorkin (*Chairman and Managing Director, Lancashire Dynamo & Crypto Ltd*); Sir Thomas Lund, C.B.E. (*Secretary, The Law Society*); Messrs M. F. MacCormac (*Member of Council*); E. H. V. McDougall (*Secretary, The Institute of Chartered Accountants of Scotland*); A. S. MacIver, C.B.E., M.C. (*Secretary, The Institute of Chartered Accountants in England and Wales*); Alexander McKellar (*President, The Institute of Chartered Accountants of Scotland*); The Rt. Hon. Sir Reginald Manningham-Buller, Q.C., M.P. (*Attorney General*); Messrs P. J. Mantle, C.M.G. (*Assistant Secretary, Board of Trade*); T. S. Martin (*Chairman, Staples Printers Ltd*); Alexander Meikle (*Chairman, The Building Societies Association*); A. C. S. Meynell (*Immediate Past President of the Association*); Oswald P. Milne, J.P. (*Chairman, Royal Society of Arts*); T. W. Milner (*Member of Council*); C. D. Morley (*Secretary, The Stock Exchange*); G. C. Mott (*Director, Philips Electrical Industries Ltd*).

Sir Edward Norman (*Chief Inspector of Taxes*); Mr J. R. Norman (*Member of Council*); Sir Charles Norton, M.B.E., M.C. (*Solicitor, Accountants' Joint Parliamentary Committee*); Messrs W. Sholto Olleson, T.D. (*Member of Council*); W. S. Orr, (*Secretary, The Institute of Chartered Accountants in Ireland*); F. Cameron Osbourn, M.B.E. (*Secretary of the Association*); V. J. Oxley (*Member of Council*); A. A. Part, C.B., M.B.E. (*Under-Secretary, Ministry of Education*); B. H. Pearce (*Managing Director, Lamson Industries Ltd*); C. U. Peat, M.C. (*President, The Institute of Chartered Accountants in England and Wales*); F. A. Pester (*Assistant Clerk, The Fishmongers' Company*); 'Peterborough' (*'Daily Telegraph'*); Messrs J. F. Phillips, O.B.E. (*Secretary The Chartered Institute of Secretaries*); A. B. Pitcher (*Chairman, Broken Hill Secretariat, Ltd*); Sir Richard Powell, K.B.E., C.B., C.M.G. (*Permanent Secretary, Board of Trade*); Messrs T. R. Powell (*Member of Council*); C. R. Preston (*Managing Director, International Paints Limited*); C. W. A. Ray (*Director, Prudential Assurance Co Ltd*); F. M. Redington (*President, The Institute of Actuaries*); E. J. Reed, (*Assistant Clerk, The Clothworkers' Company*); W. S. Rice (*Vice-President, The Institute of Cost and Works Accountants*); J. C. Rodgers, M.P. (*Parliamentary Secretary, Board of Trade*).

Messrs J. Scupham (*Head of Educational Broadcasting, B.B.C.*); Patrick Sergeant (*City Editor, 'Daily Mail'*); J. P. Shaw (*Member of Council*); F. W. Smith (*H. W. Stutter & Partners*); Kenneth O. Smithers (*Master, The Clothworkers' Company*); J. R. Sparey (*An Assistant Secretary of the Association*); Major General Sir Edward Spears, Bt., K.B.E., C.B., M.C. (*Chairman, The Institute of Directors*); Messrs E. Spencer (*Member of Council*); R. J. W. Stacy, C.B. (*Under-Secretary, Board of Trade*); R. Statham, J.P. (*Member of Council*); W. E. Stepto, (*Member of Council*); Geoffrey Stevens, M.P. (*Chairman, Income Tax Payers' Society*); A. W. Tait (*Assistant General Manager, British Railways, Eastern Region*); F. V. Thompson (*Director, British Insulated Callender's Cables Ltd*); Roy Thomson (*Chairman, Thomson Newspapers Ltd*); N. R. Tribble (*Financial Adviser, Atomic Power Constructors Limited*); E. G. Tucker (*Controller of*

Death Duties); Graham A. Usher, M.B.E., T.D. (*Vice-President, The Institute of Chartered Accountants of Scotland*).

Messrs W. C. Walgate (*Special Adviser to Credit Foncier D'Algerie et de Tunisie*); Ronald Ward (*President, The Institute of Arbitrators*); D. McCloy Watson, (*Present, The Institute of Chartered Accountants in Ireland*); Arthur E. Webb (*Editor, 'The Accountant'*); A. L. A. West, O.B.E. (*Vice-President, The Institute of Municipal Treasurers and Accountants*); E. T. Westmacott (*Alex. Parkes, Westmacott & Co*); J. Whitehouse (*Managing Director, Montague Burton Limited*); Francis Whitmore (*City Editor, 'Daily Telegraph'*); The Hon. John Hay Whitney, C.B.E., (*United States Ambassador to the Court of St James*); Messrs Charles Williamson (*Assistant City Editor, 'Sunday Dispatch'*); C. Reginald Willis (*Editor, 'The Evening News'*); J. R. McK. Willis, C.B., C.M.G. (*Deputy Chairman, Board of Inland Revenue*); Alderman F. Wilson, O.B.E., J.P., C.P.A. (CAN.), (*Member of Council; President, Sunderland Chamber of Commerce*); Mr A. Dickson Wright (*Senior Surgeon, St Mary's Hospital*).

Mr Jackson proposed the toast of 'The Guests' and Viscount Brentford replied.

THE WEST WALES CHARTERED ACCOUNTANT STUDENTS' SOCIETY

At the annual general meeting of The West Wales Chartered Accountant Students' Society held at Lovells Café, Swansea, on March 23rd, the following officers were elected for the ensuing year:

President: Mr R. Gibb, A.C.A.
Vice-President: Mr G. E. Gibbs, J.P., F.C.A.
Hon. General Secretary: Mr J. D. Tait, c/o Messrs Tribe, Clarke, Montgomery Williams & Co.
Hon. Lecture Secretary: Miss J. J. Maull.
Hon. Treasurer: Mr R. S. C. Solomon.
Hon. Sports Secretary: Mr D. A. R. Day.
Committee: Messrs R. A. Kerr, A.C.A.; D. F. Pratten, F.C.A., J. G. Powell, F.C.A., D. R. Atkinson, T. G. Calvert, Miss S. Davies, Mr A. Edwards, Miss P. Jones, Messrs P. A. Sykes, R. Scott.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 12.30 p.m. on Monday next, May 2nd, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be James, Chapter 1, verses 19 to 25 ('Doers of the word and not hearers only').

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

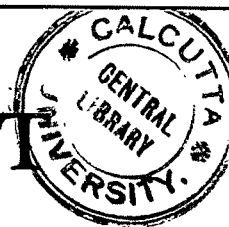
The following meetings of the London Students' Society will be held during next week:

Tuesday: Visit to the Westminster Bank (limited number).
Wednesday: Lecture, film and demonstration of Hollerith punched-card accounting (limited number).
Thursday: 'The Taverners' supper at the Allahabad Restaurant.

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Thinking in Decimals

THE merits and demerits of decimal coinage have been discussed exhaustively in these pages in recent years. To many of our readers, therefore, the joint report on the subject, issued on Wednesday by The British Association for the Advancement of Science and The Association of British Chambers of Commerce, will contain little that is not already familiar.¹ The value of the document lies in the fact that it keeps very much alive the issue of decimalization and that it provides, in its own modest words, 'some of the information on which public opinion can be based'. The report is the work of independent committees set up two years ago by the respective associations and much of the material therefor was obtained from representatives of industry, central and local government and the professions. Separate consideration is given to the questions of decimal coinage and the metric system and summaries of the evidence submitted are contained in a series of appendices.

The unanimous conclusion which the committees reach with regard to decimal coinage is that there is a strong case for its introduction. It would simplify commercial calculations and would have particular advantages in the field of business machines and in education. The costs of transition would be heavy but not unduly so in relation to the resources of the country or to the benefits which would accrue. The report states that there is an overwhelming wish to retain the £ as the basic unit and that the acceptance of any alternative to it would tend to lower the status of the currency. The question of decimal coinage, the report continues, is one that may be reviewed independently of the metric system and its advent should precede any future plans for the reform of weights and measures. The committees recommend that the Government should aspire to an early decision for or against the introduction of decimal coinage because the longer the delay, the greater would become the transitional costs. Three years is the estimate of the time which would be required to prepare the general public for the changeover.

On the possible adoption of the metric system of weights and measures, the committees report less enthusiasm. Despite the fact that the system is already legal in the United Kingdom and could therefore be taken up voluntarily on a piecemeal basis, no great use is at present made of it. Transitional costs, particularly in engineering, would possibly outweigh the benefits to be derived and another factor is that for as long as the Commonwealth and the United States retain the Imperial system, this country should do so also. The committees are, therefore, unable to

¹ *Decimal Coinage and the Metric System: Should Britain Change?* Butterworths Scientific Publications, London. 7s 6d net.

recommend a compulsory change but suggest that the United Kingdom should encourage thinking in terms of decimals and should strive towards acceptance of international standards on both metric and inch/lb. systems.

Part III of the report enumerates ways in which existing weights and measures could be rationalized and, to a degree, decimalized. One of the drawbacks to the present Imperial system is the awkward variety of conversion factors between the different units. Examples of how these already have been in part eliminated are the 'short ton' (2,000 lbs.) and 'hundredweight' (100 lbs.) used by the United States and Canada, conventions which are being followed in other countries. Among the detailed recommendations made in this section of the report are that the 'short ton' should be adopted; apothecaries, troy and pennyweight systems should be removed from school curricula; the rod, pole or perch of $5\frac{1}{2}$ yards and the corresponding square measure of $30\frac{1}{4}$ yards should be abolished; and the decimalized inch, already in widespread use in the engineering industry, should be encouraged. These suggestions, with the exception of the 'short ton', are in line with those made in the Hodgson report of 1951.

The fourth and last part of the report deals with the effect which decimal coinage and the metric system would have on school curricula and is disappointing in that only one of the authorities approached carried out practical tests. This was the Ipswich and East Suffolk district committee of the Regional Board for Industry. The tests imposed covered addition, multiplication, division, subtraction and conversions in \pounds s d and decimals and results showed that in two schools, for children of $9\frac{1}{2}$ years of age, the time saved when using decimals was 40 per cent and that errors were reduced by the same margin. Similar tests in a small office group showed corresponding savings of 30 per cent and 50 per cent. No serious disadvantages to teaching in decimals were put forward by any of the authorities consulted.

Apart from educating children and adequately preparing adults to think in terms of decimals, the principal factor in currency conversion – as a first step towards the complete decimalization of the monetary and weights and measures systems – is the cost. Until now, estimates made have

been both few and widely varying in amount and it cannot be said that the calculations contained in the report add much to what is already known. The difficulties inherent in preparing these forecasts – evaluating such imponderables as public confusion, delays and errors due to unfamiliarity with the new system and the labour of altering existing records and statistics – are duly stressed. So, too, is the task of putting a present value on benefits which will be perpetual. Companies, in general, seem reluctant to state figures of either costs or savings and the most satisfactory estimates – those of machine conversion costs – were obtained with the aid of trade associations and manufacturers. The bill, on their reckoning, for converting or replacing a wide range of machines is £128 million. Adding, calculating and accounting machines are together responsible for £64 million of the total and cash registers come next with £51.5 million followed, a long way behind, with price computing scales at £9.7 million. The balance of just over £3 million is accounted for by franking machines, petrol pumps, vending and amusement machines, G.P.O. installations and taxi meters. Omitted from the calculations are ticket-issuing and change-giving machines, gas and electricity meters and electronic data-processing units. The figure of £128 million can thus be regarded as only a part of a very much greater whole.

In all, 64 per cent of the respondents to the committees' questionnaires favoured the retention of the £ as the principal unit and, of these, 37 per cent preferred the £/cent system and 27 per cent the £/mil system. Twenty-one per cent supported the 10s/cent and 15 per cent the 8s 4d/cent system. The learned societies and professional bodies strongly recommended a method of decimalization which retained the £ but were apparently content to let the pence take care of themselves. In currency reform schemes, however, it is the adaptation of the humbler denominations of coin that usually gives most trouble. Constructive advice on small change was tendered to the committees by the several industrial groups consulted. Of these, clerical staffs preferred the £/cent system with little or no subdivision of the cent. Groups concerned with the retail trade and public transport, on the other hand, stressed the need for a coin the equivalent of a halfpenny and so inclined towards the £/mil system.

THE FINANCE BILL

Personal Allowances

CLAUSE 15 of the Finance Bill introduces an entirely new personal allowance in favour of taxpayers who are entitled to child allowance but are not entitled either to the higher personal allowance or to any of those allowances generically known as 'housekeeper' allowance and given by Sections 214, 215 and 218 of the Income Tax Act, 1952. It is a *sine qua non* of housekeeper allowance that the housekeeper be resident with the taxpayer, but there may be a variety of reasons preventing him from having a resident housekeeper while still obliging him to incur expense in paid assistance for looking after the child. Clause 15 now confers an allowance of £40. A woman taxpayer can claim the allowance only if she

- (a) is a widow; or
- (b) throughout the year of assessment is
 - (i) in full-time employment; or
 - (ii) engaged full time in a trade, profession or vocation; or
 - (iii) totally incapacitated by physical or mental infirmity.

Where the child allowance is apportioned, the claimant must prove that no other person is claiming the same £40 allowance in respect of the same child. However, where divorced parents have two children it might be possible for each to claim for one child and thus to avoid this restriction.

The existing allowances of £60 for housekeepers and dependent relatives are all increased to £75 by clause 16. At the same time, the maximum income of a dependent relative is raised from £195 to £210. As before, where the relative's income exceeds £135, the allowance is reduced by the amount of the excess. To validate current P.A.Y.E. deductions until the new tables are ready, the above changes are deferred for that purpose until June 22nd.

Clause 17, which will take effect after 1960-61, puts an end to the system of deductions from total income on account of National Insurance contributions and substitutes a system of personal allowances varying with the taxpayer's contributions. The new form of the relief means that earned income relief is not specifically restricted.

On the other hand, relief is still given against surtax because the new allowances, like children and housekeeper allowances, will be specifically deductible for surtax purposes. The main object of the new system is to simplify the administration of income tax and surtax, particularly P.A.Y.E. administration, when the graduated contribution scheme under the National Insurance Act, 1959, and the National Insurance Act (Northern Ireland), 1959, comes into force. It will not apply to employers' contributions but it will apply to the contributions of the self-employed.

The new allowances (applicable to a full year) are set out in a table in Part I of the Third Schedule to the Bill as follows:

Description of contributor	Amount for relief £
(1) Employed person over the age of 18 ..	15
(2) Employed person under the age of 18:	
(a) boy	8
(b) girl	6
(3) Self-employed person over the age of 18:	
(a) man	20
(b) woman	16
(4) Self-employed person under the age of 18:	
(a) boy	12
(b) girl	9
(5) Non-employed person over the age of 18:	
(a) man	19
(b) woman	15
(6) Non-employed person under the age of 18:	
(a) boy	11
(b) girl	9

A married woman or widow who as such is excused by regulations from paying contribution under Section 2 (2) of the National Insurance Act, has her relief cut to £5 under paragraph 1 and paragraph 2 (b). Clause 17 (3) makes the necessary detailed provisions for granting relief to a husband for his wife's contributions.

It prohibits double reduced rate relief in respect of that part of a wife's earned income which is covered by her portion of the new allowance. It also provides that that portion shall be set off primarily against her earned income, and makes the necessary consequential provisions where separate assessment is claimed.

Overseas Trade Corporations

VOLUMINOUS as the Finance Bill is, it contains no amendment of the provisions dealing with overseas trade corporations, which is a matter for regret. When the 1957 Finance Bill introduced relief for these bodies, it included safeguards for the Revenue pending the accumulation of experience in the working of the relief and directed to countering any abuse. These safeguards prevent the provisions from achieving the full benefits which were looked for by the advocates of the relief and it was hoped that modifications would be introduced this year.

Typical of the modifications which are sought are those contained in a memorandum submitted to THE CHANCELLOR OF THE EXCHEQUER last December by the Council of The Institute of Chartered Accountants in England and Wales, which we reproduce elsewhere in this issue. The first of the submissions in that memorandum dwells on an anomaly which the Council were quick to point out as long ago as May 1957 when the Finance Bill of that year had just appeared. Given that a holding company need not pay tax on dividends out of exempt income from its subsidiary which trades abroad but is resident here, there is no sensible justification in withholding that benefit merely because the subsidiary is resident abroad. On the other hand, the difficulties of transferring the residence of such a company to the United Kingdom may not be so great as has been supposed. The House of Lords decision in *Unit Construction Co Ltd v. Bullock*¹ has emphasized that whatever may be the requirements of a subsidiary company's memorandum and articles as to the persons who are to exercise the central management and control, and where they are to exercise it, the residence of the company is determined by the place where central management and control is in fact exercised. It may well be, in view of that decision, that many companies which have hitherto been dealt with by the Inland Revenue as resident abroad have all the time been resident here. However, whatever may be the practical effect of this decision there must always be cases where for some reason it is not convenient to give the subsidiary an English residence and the

submission made by the Council seems to be a very cogent one.

The same applies to the second submission of the Council. As regards the third submission, it is an unfortunate characteristic of Finance Bill drafting that in the anxiety to inflict punishment on the guilty the interests of the innocent are overlooked. It may well be that distributions are made in the form of loans for the purpose of avoiding tax, and a provision that in certain circumstances such loans be treated as dividends for tax purposes as though they were in fact dividends. But it should surely follow as a necessary corollary, as it always did in profits tax, that when the loan is repaid a corresponding tax adjustment should be made. Otherwise, the borrowing of money for a single day can saddle the lender with a heavy tax liability. A similar anomaly exists in Section 408 of the Income Tax Act, 1952, and ought to have been cured long ago.

The arbitrary rules in the Fifth Schedule to the Finance Act, 1957, for ascertaining whether or not a dividend is paid out of exempt income, and thus gives rise to liability, seem to have been drafted with insufficient care. As the Council's memorandum points out, the effect of the provisions where a loss is incurred may be to charge income tax on distributions made out of funds which could not be exempt trading income. Bearing in mind that the Council drew attention to this anomaly as long ago as last June, it is surprising that no attempt has been made to correct it in the current Bill. It is to be hoped that the necessary provision will be made by amendment at the committee stage.

The last submission in the memorandum echoes criticisms by others of the use of the phrase 'recognized market'. What exactly the draftsman means by a 'recognized' market is anyone's guess, and the precise reason why he imposed the requirement is even less apparent. Here, too, it may be possible to induce the CHANCELLOR to agree to an amendment this year.

One wonders whether the time has not come also for the adoption of a new test for determining where a company resides. The decision in the *Unit Construction* case must inevitably give rise to considerable uncertainty.

¹ *The Accountant*, December 5th, 1959, page 537.

Self-administered Pension Funds

by BRYN E. ISAAC, A.C.A.

TODAY pension schemes are assuming an ever more important part in commercial life, and figure prominently in the inducements offered by employers to secure staff in a highly competitive market. Employees themselves are becoming more pension conscious and staff advertisements reflect their interest in the prominence given to this aspect. The wide publicity centred on the growth of pension funds generally has fostered this interest, as also have the advertising campaigns of the life assurance companies which gained momentum following the extension of income tax relief to dividends and interest on funds administered by these companies.

At the moment, the provisions of the Government White Paper on the new graduated pension scheme, planned to come into operation in April 1961, are very much in the public eye and employers will find it necessary to re-examine their present schemes to decide whether or not to contract out in part or in whole. At the same time, it might be as well to consider what benefits may be available to those who are prepared to undertake the administration of their own pension funds.

Selection of Scheme

For individuals and small concerns a first-class service, in the way of pension and annuities, is provided by the insurance companies who are prepared to quote individual rates to provide any form or amount of benefit to cover individual requirements. Medium-sized and larger concerns, however, not already doing so, may find many advantages in administering their own pension funds, not the least of which might be the reduction of contributions or the increase of benefits payable. Top executives are naturally conservative and, where the rights of their employees are concerned, such conservatism is properly exercised. In the pension field, in particular, complications of actuarial valuation and detailed financial legislation loom larger than life, and many have little hesitation in handing the problems over to insurance companies who have built up for themselves a very high reputation. There are, however, a number of concerns who have already realized the advantages of dealing with their own funds and, from a recent report of the Government Actuary, it emerges that almost

50 per cent of the private pension funds are administered by the concerns themselves.

There is a further advantage in the self-administered pension fund which may be exercised in favour of the employees. This is the availability of finance for the purpose of assisting employees to purchase their own property. It is generally agreed that a portion of trust funds might well be invested in mortgages and fixed interest loans to the extent of 25 per cent of such funds and some part of this could well be allocated to freehold or long leasehold mortgages for the benefit of employees. Such utilization of the fund must be strictly in accordance with the provision of the trust deed, and with the normal commercial considerations which would apply if such a loan were sought by an outside applicant.

Comparative Considerations

To inaugurate a pension scheme such as this a fund would have to be set up under an irrevocable trust deed in accordance with the provisions of Section 379 of the Income Tax Act, 1952, and be accepted by the Inland Revenue as an approved fund on which no income tax would be charged in respect of dividends and interest received. In building up the pension fund, a basic factor is the value of contributions paid into the fund, out of which the pensions will ultimately be paid, and it is therefore essential that initial and administrative costs be kept to a minimum. In this connection, insurance companies have to meet many expenses, such as commissions, general overheads (apart from administrative costs on the specific pension funds), expenditure on new business, advertising and, possibly, the equalization of losses on other less lucrative branches of their business, such as motor vehicle insurance etc. These items vary considerably as between one insurance company and another, ranging from 7 to 12 per cent of the annual premiums received so that this portion of the premiums is not available for allocation to the fund. Further, the insurance companies, in common with other commercial undertakings, have to provide profits for their

It is not possible to ascertain from published accounts with any degree of accuracy the profitability of insurance companies as they are exempt from the provisions of the Companies Act, 1948, requiring businesses to show separately in their accounts, their reserves and provisions, the movements therein, and the market value of their investments.

shareholders and these, according to stock exchange quotations, show that a very high value is placed by investors on the profitability of insurance companies. For a concern running its own scheme, there would be no necessity for it to meet the expenses enumerated above and, to this extent, the value of its contributions to the fund would be enhanced.

We now have to consider the costs of administering one's own pension scheme. These need not necessarily involve the employers in any heavy additional expenditure as a large proportion of the administrative costs of the fund are already met by the concern, even where the scheme is administered by an insurance company. These include the deduction of contributions from employees' wages and/or the allocation of the employers' contributions, the maintenance of individual records of contributions made by or on behalf of each employee, and the payment of the total contributions weekly or monthly to the insurance company; such payments would now merely be transferred to the trustee. The main items of additional expenditure would be in respect of investment and actuarial services and the payment of pensions when due. In the case of investments for those firms who do not consider themselves large enough to deal with this matter, there is an excellent investment service run by some of the larger banks, whose charges would work out at approximately 125 per cent of the total fund invested, and this charge might well be reduced for funds in excess of £500,000. The actuarial assistance would be required in drafting the initial scheme and thereafter actuarial valuations would be required once every four or five years.

Accumulation of Fund

We now come to the most important aspect of any pension scheme, which is the building up of the fund out of which pensions will be paid. In the first instance, let us consider a simple illustration of one individual for whom total annual contributions amounting to £100 per annum have been paid in for forty years to provide a pension at 65 of £925 per annum (these figures are based on an actual proposal incorporated in a large pension scheme administered by an insurance company). A gross rate of just over £6 per cent has been shown by most large insurance companies for the last few years, and the present yield on gilt-edged irredeemable stock is approximately 5½ per cent. For the purposes of this example, we are taking a gross yield of 5 per cent; as this is an approved fund no income

tax would be payable. Out of this gross yield, a deduction of ½ per cent would be made to cover additional administrative costs and the balance of 4½ per cent reinvested with the fund. On this basis, a premium of £100 per annum for forty years at 4½ per cent compound interest will result in a total fund at pensionable date of £10,700. In the first year of pension, assuming a continuing rate of 4½ per cent, £480 of the pension would be paid out of interest. This interest will reduce annually until the year in which the fund is exhausted when the interest will be reduced to nil. In this way, we find that it would be possible to pay a pension of £925 per annum, partly in interest and partly in capital, for approximately sixteen years before the exhaustion of the fund. By that time the pensioner would have attained the age of 81 years, which is in excess of the anticipated average life expectancy in forty years' time.

Fixed Interest Investment

Let us now relate the effects of the above proposition to a large pension fund basing this on the anticipated mortality tables for annuitants taking out policies at the present time. We then obtain a clearer idea of how the payments of these pensions will affect our cumulative fund. For our illustration we will take the case of 994 male employees entering the scheme at 25 years of age. Contributions of £100 each per annum would be paid in for forty years until the pension age of 65, when the pension payable will be £925 per annum. Based on the latest published tables of annuitants' mortality, and taking into account the trend of improvements in mortality over the next forty to fifty years, it is anticipated that only 788 will survive to the age of 65; 538 to 75; 193 to 85; and 16 to 95.

Of those who died before 65, we will assume that their contributions together with compound interest at 4½ per cent will be repaid to their estates or will accrue to the employers or be paid out in some other form of benefit to the next of kin in the case of a non-contributory scheme. Whatever the circumstances, we assume that all premiums paid in respect of such members will be taken out of the fund together with compound interest at 4½ per cent. When the survivors reach the pensionable age of 65, we have a fund of $788 \times £10,700$, totalling £8,431,600 (*Schedule I*) which is still invested at 5 per cent interest less the ½ per cent deducted for administrative costs, representing a reserve of some £42,100 at the highest point reached by the fund.

Of the 788 members surviving to the age of

65, some will die within the first five years, but in this scheme we have allowed for a minimum payment of five years' pension either to the member or to his estate, irrespective of whether or not he may live to the age of 70. Apart from the first five years, the figures of mortality quoted above have been averaged between the ten-year breaks and it has been assumed that all of the last sixteen survived to 100 years and that none exceeded this age. Based on these figures the total pensions payable will be £10,842,850. Of this figure, £5,951,385 will be met out of interest on the reducing balance of the fund with yearly rests, leaving a net charge to the capital of the

fund of £4,891,465. After clearing all the liabilities of the fund, we now find that there remains a balance of £3,540,135 which could have been utilized over the period either as a reduction against original contributions or in the form of additional benefits to the employees.

Equity Investment

In the foregoing examples we have considered the investment of the fund entirely in fixed interest loans, and have now to examine some diversification of our investments to cover equities and property in addition to fixed interest investment. The movement of funds into the

Schedule I

TOTAL FUND AT COMMENCEMENT £10,700 × 788 = £8,431,600 at 4½ PER CENT INTEREST

Ages		No. of members	Pensions payable	Interest receivable	Net charge to fund	Balance of fund
65	£925 ×	788	£728,900	£346,622	£382,278	£7,320,422
66	"	788	728,900	329,419	399,481	6,920,941
67	"	788	728,900	311,442	417,458	6,503,483
68	"	788	728,900	292,657	436,243	6,067,240
69	"	788	728,900	273,026	455,874	5,726,991
70	"	663	613,275	257,715	355,560	5,371,431
71	"	663	613,275	241,714	371,561	5,058,145
72	"	600	555,000	227,617	327,383	4,788,112
73	"	538	497,650	215,465	282,185	4,505,927
74	"	538	497,650	202,767	294,883	4,211,044
75	"	538	497,650	189,497	308,153	3,902,891
76	"	538	497,650	175,630	322,020	3,580,871
77	"	538	497,650	161,139	336,511	3,244,360
78	"	538	497,650	145,996	351,654	2,892,706
79	"	538	497,650	130,172	367,478	2,844,353
80	"	193	178,525	127,996	50,529	2,793,824
81	"	193	178,525	125,722	52,803	2,741,021
82	"	193	178,525	123,346	55,179	2,685,842
83	"	193	178,525	120,863	57,662	2,628,180
84	"	193	178,525	118,268	60,257	2,567,923
85	"	193	178,525	115,557	62,968	2,504,955
86	"	193	178,525	112,723	65,802	2,439,153
87	"	193	178,525	109,762	68,763	2,370,390
88	"	193	178,525	106,668	71,857	2,298,533
89	"	193	178,525	103,434	75,091	2,387,167
90	"	16	14,800	107,423	92,623	2,479,790
91	"	16	14,800	111,591	96,791	2,576,581
92	"	16	14,800	115,946	101,146	2,677,727
93	"	16	14,800	120,498	105,698	2,783,425
94	"	16	14,800	125,254	110,454	2,893,879
95	"	16	14,800	130,225	115,425	3,009,304
96	"	16	14,800	135,419	120,619	3,129,923
97	"	16	14,800	140,847	126,047	3,255,970
98	"	16	14,800	146,519	131,719	3,387,689
99	"	16	14,800	152,446	137,646	3,525,335
Add Back Reserve						14,800
			10,842,850	5,951,385	4,891,465	3,540,135

equity and property markets has been growing rapidly over the last ten years, and this policy has been strongly endorsed by the recent Government White Paper in which it is proposed to allow trustees to invest outside the limits of the trustees' securities list.

The importance of partial investment in

equities and property lies in the hedge which they afford against inflation, and the fact that they enable the fund to share in the benefits of increased productivity. During the last forty years, the average value of equity shares has risen to over 400 per cent of the original value, and property has possibly increased by even more

Schedule II

TOTAL FUND AT COMMENCEMENT £16,050 × 788 = £12,647,400 at 4½ per cent

Ages		No. of members	Pension payable	Interest receivable	Net charge to fund	Balance of fund
65	£925 ×	788	728,900	536,333	192,567	11,725,933
66	"	788	728,900	527,667	201,233	11,524,700
67	"	788	728,900	518,612	210,288	11,314,412
68	"	788	728,900	509,149	219,751	11,094,661
69	"	788	728,900	499,260	229,640	10,861,500
70	"	663	613,275	494,129	119,146	10,795,268
71	"	663	613,275	488,768	124,507	10,783,405
72	"	600	555,000	485,253	69,213	10,771,008
73	"	538	497,650	484,695	12,955	10,758,053
74	"	538	497,650	484,112	13,538	10,744,515
75	"	538	497,650	483,503	14,147	10,730,368
76	"	538	497,650	482,867	14,783	10,715,585
77	"	538	497,650	482,201	15,449	10,700,136
78	"	538	497,650	481,506	16,144	11,003,117
79	"	193	178,525	495,140	316,615	11,319,732
80	"	193	178,525	509,388	330,863	11,650,595
81	"	193	178,525	524,277	345,752	11,996,347
82	"	193	178,525	539,836	361,311	12,357,658
83	"	193	178,525	556,095	377,570	12,735,228
84	"	193	178,525	573,085	394,560	13,129,788
85	"	193	178,525	590,840	412,315	13,542,103
86	"	193	178,525	609,395	430,870	13,972,973
87	"	193	178,525	628,784	450,259	14,423,232
88	"	193	178,525	649,045	470,520	15,057,477
89	"	16	14,800	677,586	662,786	15,720,263
90	"	16	14,800	707,412	692,612	16,412,875
91	"	16	14,800	738,579	723,779	17,136,654
92	"	16	14,800	771,149	756,349	17,893,003
93	"	16	14,800	805,185	790,385	18,683,388
94	"	16	14,800	840,752	825,952	19,509,340
95	"	16	14,800	877,920	863,120	20,372,460
96	"	16	14,800	916,761	901,961	21,274,421
97	"	16	14,800	957,349	942,549	22,216,970
98	"	16	14,800	999,764	984,964	23,201,934
99	"	16	14,800			14,800
Add Back Reserve						
			10,842,850	21,412,184	10,569,334	23,216,734

NOTES ON THE SCHEDULES

- It has been assumed that at the beginning of each year the pension for that year has been transferred to reserves and no interest has been taken on that portion, the balance of the fund being shown less the annual pension.
- Where the pension changes the previous reserve is added back but the new pension charge deducted.
- Where all pensions have been paid, the final reserve, equivalent to the total pension paid in the last year to the sixteen members, has to be added back to the fund.

than this. If, therefore, our fund had been invested in 50 per cent fixed loan and 50 per cent equities and property over this period, the average increase in value in equities and property would have been 200 per cent. By applying this to our original simple example of one individual whose total fund amounted to £10,700 at the age of 65, we should find that this fund would be increased by 50 per cent, representing the proportion of investment in equities and property and would now amount to £16,050. In this case, the interest for the first year would come to £720, and it would be possible for us to pay a pension at the same rate for over thirty years.

The Larger Fund

If we apply these same principles to our larger pension fund, we would find that the total fund at the age of 65, which originally amounted to £8,431,600, would now be increased by £4,215,800, representing the increase in worth of the 50 per cent invested in equities and property, bringing the total fund to £12,647,400 (*Schedule II*). For the sake of simplicity, we have assumed that the whole of this fund will now be invested in fixed interest loans at 5 per cent subject to the $\frac{1}{2}$ per cent administrative costs, and by so doing we are leaving out of our calculations the additional increases to capital value arising out of that part of the fund that would have been invested in equities and property during the period when pensions were being paid out to the employees. The total pensions payable will remain as before at the figure of £10,842,850, but the interest on the reducing balance of the fund has now been enormously increased and would amount to £21,412,184. This would result in the fund being left with a total balance of over £23 million after paying all the pensions. The reason for this large increase in the balance remaining on the fund when only an increase of 50 per cent or just over £4 million was obtained at the first pensionable date, lies in the rapid growth possibilities of a fund invested at $4\frac{1}{2}$ per cent over a period of thirty-five years. In this particular case, the original fund of £8,431,600 would have been sufficient to pay all the pensions and leave a balance of £3,540,135 as demonstrated in the previous example. The increase in the fund of £4,215,800 might then be invested unmolested at $4\frac{1}{2}$ per cent per annum for thirty-five years, and in this time such a fund would increase by approximately four and a half times its original value. Of course, in a private pension scheme,

this position would never be reached in so far as the actuarial valuation of the funds made at periodic intervals would indicate that either the subscriptions might be reduced, or the benefits increased, to absorb any such balance.

Future Trends

It is, of course, impossible to forecast with any absolute degree of accuracy what the average income of any fund might be over such long periods, or what increase in value may be expected from investments such as equities and property. On the question of income, however, an examination of some large pension funds, which have been running upwards of twenty-five years, shows that the yield varies from 4.85 per cent to 5.87 per cent with an average of 5.35 per cent. It is also the considered opinion of many experts in the field of investment that 5 per cent would be a reasonable figure, taking into account the fact that interest rates may tend to be higher in the future than in the past. On the question of growth in the value of equity shares, it is considered reasonable to assume that this will be in line with the increase in industrial production, which some experts put at 3 per cent to 4 per cent per annum. It is also considered that, although the rate of inflation is unlikely to be as high on average as it has been over the last ten years, it is doubtful whether it can be completely eradicated in the modern political and economic climate, and it is felt that 1 per cent per annum should be added for this factor, making a total increase of 4 per cent to 5 per cent per annum in the capital value of such investments.

Conclusion

It would not be possible to lay down any hard and fast rules regarding the size of business most likely to benefit from a self-administered pension scheme, as this would be subject to many considerations, such as average wages and salaries, total annual contributions, clerical facilities and, of course, the continuity of the business itself. I have tried only to highlight the rudimentary principles governing the accumulation of trust funds at reasonable interest yields. I have also endeavoured, in some degree, to outline the advantages of investing some part of the fund in equity shares and property. It is the task of the employers to decide whether or not a self-administered pension scheme would bring greater benefits to themselves and to their employees.

OVERSEAS TRADE CORPORATIONS

This memorandum, submitted to the Chancellor of the Exchequer by the Council of The Institute of Chartered Accountants in England and Wales last December, is reproduced from the appendix to the Institute's recent annual report.

I. EXTENSION OF LEGISLATION RELATING TO OVERSEAS TRADE CORPORATIONS TO EMBRACE TRADING INCOME FROM NON-RESIDENT SUBSIDIARIES

1. In a memorandum dated May 1957 on the Finance Bill, 1957, the Council of the Institute commented that 'A principal company resident in the United Kingdom which holds as its only asset the share capital of a subsidiary carrying on a trade abroad which is not resident in the United Kingdom would not qualify as an overseas trade corporation, with the result that its dividend income from the subsidiary would be subject to income tax and profits tax. By contrast, a principal company whose only asset consists of shares in a subsidiary which is resident in this country and qualifies as an overseas trade corporation would be charged to income tax on the grossed-up amount of distributions to its own shareholders out of income from the subsidiary, but would not be liable to profits tax on those distributions.' The Council then submitted that the bill should be amended 'so that a principal company the main part of whose activities consists of holding shares in a non-resident company or companies carrying on a trade or trades outside the United Kingdom should be entitled to qualify as an overseas trade corporation provided the circumstances of the subsidiary or subsidiaries are such that they would be entitled to qualify if they were resident in the United Kingdom'.

2. The contrast in the treatment for tax purposes of different types of groups of companies to which the Council drew attention in 1957 remains a shortcoming of the legislation relating to overseas trade corporations and experience since 1957 has shown that the Council was justified in expressing the view to which attention is drawn in the foregoing paragraph.

3. Although a United Kingdom principal company could obtain relief on trading income from non-resident subsidiaries by requiring them to become resident for United Kingdom tax purposes, in the majority of cases such a course of action is impracticable. Any attempt to transfer control to the United Kingdom, even though it is only for tax purposes, may not be possible because of the laws of the overseas territory in which the non-resident subsidiary operates; or because of strong political feelings in favour of the incorporation of local companies, controlled and managed locally, in which the local nationals can be granted a holding of shares and given seats on the board of directors.

4. The exclusion of non-resident subsidiaries from the scope of the legislation also raises problems in relation to the transfer of surplus funds from one company to another in the same group. In particular:

- (a) a transfer of surplus funds from a non-resident subsidiary can often only be effected by the payment of a dividend by the subsidiary. One reason for this is that the subsidiary will have regard to its responsibility to minority shareholders, with the consequence that any transfer of funds from the subsidiary would need to be

by means of a dividend in order that the minority shareholders may share in the distribution. Another reason is that exchange control regulations may only permit the transfer of surplus funds of a company trading in the area covered by the regulations to be released against the payment of a dividend. The transfer of the surplus funds of the non-resident subsidiary to another company in the group will therefore need to be by means of a payment of a dividend. The dividend, or the greater part of it, will be received by the United Kingdom principal company as income arising from a foreign possession. As a consequence a tax liability in the United Kingdom will arise and funds which would otherwise be retained to finance the trading operations of the group will be paid away in tax;

- (b) a transfer of funds by way of temporary loan to a non-resident subsidiary from a subsidiary which is an overseas trade corporation will give rise to a tax liability on the lending company if the loan is regarded as paid out of its exempt trading income.

5. Thus a matter for consideration is whether a group of companies engaged in trade overseas and operating through non-resident subsidiaries should be put in the same position for tax purposes in relation to trading income from such subsidiaries as a company operating overseas through branches or through subsidiaries resident in the United Kingdom. The legislation relating to overseas trade corporations relieved companies resident in the United Kingdom but trading overseas from having to bear United Kingdom tax on profits earned by trading overseas until those profits are distributed to shareholders in the United Kingdom. In the view of the Council, similar treatment should be available in respect of the trading income of non-resident subsidiaries trading overseas.

Submission

6. The scope of the legislation relating to overseas trade corporations should be extended so as to remove the present discrimination against income from non-resident subsidiaries trading overseas. A United Kingdom principal company should therefore have the right to elect to treat as exempt trading income the dividends paid out of the trading income of such subsidiaries, provided the conditions applicable to overseas trade corporations are satisfied by the principal company and (except as regards residence) by the subsidiaries. The exercise of that right would mean that in respect of such income the principal company would be exempt from income tax under Case V of Schedule D and from profits tax; and a non-resident subsidiary would be entitled to recover tax suffered on dividends received by it out of exempt trading income of another company in the same overseas trade corporation group (and on grants and loans where the legislation requires these to be regarded as being so received).

7. It is recognized that such amendments to the legislation would need to be accompanied by appropriate provisions to enable the Inland Revenue to obtain all relevant information and to give such other powers as may be necessary. For example:

- (a) the onus should be placed on the United Kingdom principal company to supply as much information about its qualifying non-resident subsidiaries as is required concerning overseas trade corporations;
- (b) the United Kingdom principal company should be required to supply accounts and any other relevant information to H.M. Inspector of Taxes because it will be necessary to ensure that exemption from tax would apply only to so much of any dividend paid to the United Kingdom principal company by a non-resident subsidiary as is regarded as paid out of trading profits as distinct from investment income;
- (c) in the event of a non-resident subsidiary ceasing to be a qualifying subsidiary of the United Kingdom principal company, there should be machinery whereby, when necessary, tax can be charged on the principal company or some other resident company in the group.

II. ANOMALIES WITHIN THE SCOPE OF EXISTING LEGISLATION

Disqualification through having a Resident Subsidiary Trading in the United Kingdom

8. In the memorandum on the Finance Bill, 1957, the Council drew attention to the unduly restrictive character of the proviso to Section 23 (1) of the Finance Act, 1957. It disqualifies a non-trading United Kingdom principal company which has a resident subsidiary trading within the United Kingdom from qualifying as an overseas trade corporation. By contrast, a company which trades overseas can qualify as an overseas trade corporation even though it has a resident subsidiary trading in the United Kingdom.

Submission

9. A United Kingdom principal company not itself carrying on a trade and operating mainly overseas through subsidiaries trading overseas, should not be disqualified from being an overseas trade corporation merely because it has resident subsidiaries trading in the United Kingdom. Dividends from such United Kingdom trading subsidiaries should in that case be treated as investment income.

Loans to Associated Persons

10. Section 27 and the Sixth Schedule to the Finance Act, 1957, provide that where an overseas trade corporation makes a loan to an associated person and the loan is to be regarded as paid in whole or in part out of exempt trading income, then income tax shall be assessed and charged on the company making the loan under Schedule D, Case VI, on an amount equal to the amount of exempt trading income which is to be regarded as applied in making the loan.

11. The legislation does not however provide for relief when the loan is repaid even if it is repaid within a very short period. In the normal course of its transactions a subsidiary which is an overseas trade cor-

poration may remit to its United Kingdom parent company surplus funds as they arise from current trading. These funds would normally be in anticipation of a dividend to be declared by the subsidiary when the annual accounts have been prepared. Under the present legislation the remittances, being loans, and the subsequent dividend, would rank as distributions and both would attract tax under Case VI.

Submission

12. New legislation should provide for a refund of tax where a loan giving rise to an assessment to tax is repaid or is discharged by the subsequent declaration of a dividend.

Dividends Paid from Profits Accumulated prior to Qualification as Overseas Trade Corporations

13. In a memorandum submitted to the Chancellor of the Exchequer on June 8th, 1959, the Council drew attention to the following anomaly arising from the detailed provisions concerning the computation of liability to tax on dividends paid out of exempt trading income.

14. Paragraph 2 of the Fifth Schedule to the Finance Act, 1957, provides that the trading income shall be computed according to the actual profits of the accounting period computed on ordinary accounting principles. Paragraph 7 specifies the accounting periods to which dividends are to be first related and in general specifies that they are to be related to the accounting period in respect of which they are declared. Paragraph 8 provides that if the gross amount of the dividend exceeds the income of the accounting period to which it is related the excess, or if there is no such income the whole, shall then be related to the last preceding accounting period.

15. The effect of paragraph 8 of the Fifth Schedule where a loss arises in an accounting period may however be to charge income tax on gross distributions deemed to be paid from exempt trading income in excess of the exempt trading income. This situation can arise only where a company has had accumulated profits undistributed prior to qualifying as an overseas trade corporation, but the result is to offend a basic principle of the United Kingdom fiscal system which has existed since its inception, namely, that income once subjected to United Kingdom income tax shall not be subjected thereto a second time. The effect of paragraph 8 can be illustrated by a simple example:

	Year 1	Year 2
Exempt trading income (gross)	£100 (Profit)	£50 (Loss)
Dividends paid (gross) ..	£50	£50
Taxation liability on dividends assessed under Case VI of Schedule D:		
Year 1 (Fifth Schedule, para. 9 (2))	£50	
Year 2 (Fifth Schedule, para. 8 (1))		£50
Compared with cumulative exempt trading income of	£100	£50

Submission

16. The anomaly referred to above should be removed by new legislation to the effect that no assessment shall be made so as to charge to tax cumulatively a greater sum than the cumulative exempt trading income after deducting trading losses if any, of periods in which the company qualifies as an overseas trade corporation.

Recognized Markets

17. The wording of Section 24 (1) of the Finance Act, 1957, is particularly complicated, but the proviso to the section enacts that a company which produces commodities of a kind bought and sold by agents or brokers in a recognized market in the United Kingdom is not thereby disqualified from being an overseas trade corporation by reason only that the company effects sales of such commodities through an agent or broker in that market if, by virtue of Section 373 (1) of the Income Tax Act, 1952, that agent or broker cannot be charged in respect of the profits or gains arising to the company from those sales.

18. The proviso to Section 24 (1) is however limited to the companies which produce 'commodities of a kind bought and sold by agents or brokers in a recognized market in the United Kingdom'. A recognized market is not defined in the Finance Acts and the Commissioners therefore have the duty to decide whether a market is a 'recognized market' within the meaning of the proviso. This 'recognized market' requirement is a concept which does not appear in the comparable provisions dealing with the exemption of non-residents from tax on the profits from sales in the United Kingdom through agents or brokers (including the definition of a 'permanent establishment' for the purpose of the double tax conventions) and there seems no reason why it should have been included in the legislation relating to overseas trade corporations.

Submission

19. The references to a recognized market in the proviso to Section 24 (1) of the Finance Act, 1957, should be deleted.

Weekly Notes

The Institute's Annual Meeting

THE annual meeting of The Institute of Chartered Accountants in England and Wales was held last Wednesday as this issue went to press. In the course of his presidential address, Mr C. U. Peat, M.C., M.A., F.C.A., stated that the Institute membership now exceeded 33,000; what is perhaps even more encouraging is the fact that the rate of recruitment during the past two years was double the rate in most of the post-war years, and four times the rate in the immediate pre-war years. The President emphasized the point that they must see to it that the quantity of members would be matched by quality of service.

Mr Peat said that they were within a few days of the Institute's eightieth anniversary. The growth of stature of the profession and the changes within it during those eighty years had been enormous. It was important, therefore, that members should keep themselves abreast of present-day trends and developments in the profession, and the possibilities of specialism should not be overlooked. A report of the meeting with the full text of the President's address will appear in next week's issue.

Council on Tribunals

THE first report of the Council on Tribunals (for the year 1959) has now been published by H.M. Stationery Office (price 2s 6d net). The Council was set up by the Tribunals and Inquiries Act, 1958, for the purpose of exercising a general supervision over tribunals and inquiries, with a view, broadly speaking, to seeing whether the citizen gets fair play.

In general the Council is satisfied as to the working of the tribunals. A somewhat Gilbertian situation exists in relation to certain tribunals connected with the National Health Service, where members of the Council can be excluded, notwithstanding the fact that the Council exists to supervise them.

The Council took evidence from the Inland Revenue and from the English and the Scottish Chartered Accountant Institutes about the tribunals for which the Inland Revenue are responsible, in relation to Section 12 of the Tribunals and Inquiries Act, 1958 (giving of reasons for decisions). The Council recommended exemption for the decisions of the Board of Referees in cases under Section 251 of the Income Tax Act, 1952 (surtax directions). As to other tribunals, in view of the right to cases stated the Council felt it unnecessary to require Appeal Commissioners to give reasons for their decisions.

Irish Budget

THE Irish Minister for Finance, presenting his Budget to the Dail on April 27th, announced one increase in taxation and a number of small reliefs. The increase was of one penny on a packet of twenty cigarettes or ounce of pipe tobacco. Of the reliefs, there was an increase from £100 to £120 of the income tax and surtax allowance for each child. Losses will be available for indefinite carry-forward, and the estate duty exemption limit goes up from £2,000 to £5,000, with a corresponding change for legacy and succession duties, the rate of duty remaining as before for estates above the limit. The penny a gallon duty on heavy oils is removed and there are reductions in entertainment duties on cinemas and dance halls. A number of special import levies are removed with a view to lowering the cost of living. A shilling a week is added to social assistance payments over a wide field.

A Gentle 'Squeeze'

THE uncertainty under which the economy and the stock-markets have laboured since the Budget references to further credit restraint has now been ended. The proposed measures to limit bank credit and hire-purchase facilities are less severe than were generally expected. The London Clearing and Scottish banks have been requested to make an initial contribution of 1 per cent of their total deposits to the new Special Deposits. This will absorb about £70 million of their liquid assets and since the transfer may be deferred until June 15th, it is expected that it will not impose any difficulties upon the banks. Indeed, this modest call seems designed to ensure maximum co-operation between the banks and the authorities.

Since hire-purchase controls were revoked in October 1958, the boom in credit facilities has been marked not only merely by a rapid growth of the sums outstanding, but by a less desirable feature, the extension of 100 per cent credit without any down-payment. The new restrictions in respect of wireless and TV sets, washing machines, vacuum cleaners and refrigerators, cars, light vans and motor cycles, require a down-payment of 20 per cent with the balance spread over a maximum period of twenty-four months. These requirements will be regarded by many traders and finance houses as ensuring sound business practice. For some goods, e.g. domestic furniture, floor coverings, watches and jewellery, wash boilers and cookers, caravans and cycles, the minimum deposit is to be only 10 per cent. For obvious reasons, advance payment of all rentals and charges covering the first three months of any hiring agreement is required. Similarly, rental agreements which permit the hirer a rebate on the purchase price in respect of initial hire charges are prohibited. Details of these measures are given in the relevant Orders - S.I. 1960 Nos. 762-4 inclusive.

Replying to questions, Mr Amory emphasized that he was still anxious to encourage industrial expansion. This is confirmed by these modest restraints and the fact that capital goods are excluded from their purview. Time alone will tell whether these measures are adequate to resolve the present problem.

Phenol Prices Agreement Ended

BY a recent decision of the Restrictive Practices Court, the price-fixing arrangement among members of the Phenol Producers' Association was discontinued. According to the judgment, the evidence showed four main trends in the industry at the present time. First, there was a rapid and consistent rise in output; second, imports had almost disappeared; third, home trade deliveries had risen very substantially although not as much as production; fourth, exports had been significantly developed over the last decade. Though prices were not strictly comparable it seemed that the fixed price of 1s 4d per lb. was above the current world price as shown by

German and American domestic prices, and was higher than the price at which large sales of phenol had been made by synthetic producers who were not members of the trade association.

There were four criticisms of the scheme. First, the fixed price was above that which would rule in a free market; second, it was not related to costs or production but fixed at the discretion of members; third, the price policy of the association had been to charge what the traffic would bear; fourth, the price arrangement was rigid, there being no concessions for exports, bulk contracts or length of haul ex-works. The association had contended that there was at the moment a surplus of phenol which would last for about five years, that the effect of a free market would be to reduce the price of phenol to 1s a lb. and that such a fall would so reduce the revenue of tar producers that they would divert tar supplies from distillation to burning them as fuel, so destroying a source of supply of phenol. The Court did not accept these contentions. There was no evidence of an excess of supply, there was unlikely to be a shortage over the next five years because synthetic producers would expand to fill the gap and any drop in price there might be would not be sufficient to cause a diversion of suppliers' activities away from the manufacture of phenol.

The Charities Bill

THE Charities Bill, having passed through the Lords, received its second reading in the Commons on Thursday of last week. During its passage through the Lords the Bill as originally drafted had been amended in several important respects. Thus the Home Secretary is not now, as was originally intended, to have power to direct the Charity Commissioners to institute inquiries, nor is he to be able to take the initiative and move the Commissioners to make a scheme without the application of the charity or order of the Court which is normally required. Instead, the Commissioners, if they are satisfied that the trustees ought to have applied for a scheme but have unreasonably refused or neglected to do so, may apply to the Home Secretary for him to refer the case to them with a view to a scheme, and if, after giving the trustees an opportunity to make representations to him, he does so, the Commissioners may then make a scheme.

Nevertheless, concern was expressed in the Commons by Mr John Morrison, himself formerly the Parliamentary Charity Commissioner, that the Home Office would really take charge of the Commissioners, and that would inevitably bring charity into the sphere of administration and it would become political. The Solicitor-General, however, denied that there was any intention of political interference with the Commissioners, and referred to the intention of appointing a layman as the third Commissioner. With two legal men and a layman the Commission would, he said, be capable of fulfilling the task which the Bill laid upon it.

The provisions restricting dealings with charity land were the subject of lengthy debate in the Lords. The Lord Chancellor on the report stage said that it was intended to except by regulations the transfer of certain property held for religious purposes. His Lordship had already, on second reading, referred to the exception from the registration provisions of certain church funds of denominational interest only. In the Commons debate it was clear that considerable concern is still felt about the future of religious charities and their assets.

A provision of the Bill which seems certain to receive further amendment in the Commons is that which sets out the occasions when the *cy près* doctrine may be applied. On third reading in the Lords the Lord Chancellor said that it was hoped by the Government to introduce an amendment to deal with the difficulty which arises when donations, often small and anonymous, are given for a purpose which fails, and no general charitable intent can be seen to exist.

No Conspiracy

JUDGMENT in favour of the defendants was delivered on April 27th and 28th (according to *The Times* of April 28th and 29th) by Mr Justice Glyn-Jones in the consolidated actions by Mr Harold William Auten, of Eton Lodge, Eton Avenue, London, NW. In the first of the two actions Mr Auten claimed against Lieut.-Col. William George Rayner and his wife, and Detective-Sergeant Patrick Bolongaro, damages for conspiracy to cheat and injure him, malicious prosecution and false imprisonment, malicious institution of civil proceedings and injurious falsehoods. In the second action Mr Auten claimed damages against Messrs Baker, Todman & Co, chartered accountants, of Canada House, Norfolk Street, London, and Mr Peter Jones, one of their employees, for conspiracy to cheat and injure him and for breach of duty as his accountants.

At the conclusion of the forty-one-day hearing of the action his lordship indicated that he had formed the clear view that Mr Auten had failed to establish a cause of action against any of the defendants.¹ The proceedings arose out of certain dealings between Mr Auten and Lieut.-Col. and Mrs Rayner and subsequent disputes between him and them, culminating in a prosecution of Mr Auten. Against Messrs Baker, Todman & Co, Mr Auten claimed that he had instructed Mr Rylands of that firm to act as his own accountant; that Mr Rylands knew that there was no partnership between Mr Auten and Mrs Rayner; that the accountants knew that the Rayners were falsely alleging that there was a partnership; and that they therefore owed him a high duty of care to avoid disclosing information to the Rayners without Mr Auten's consent. He also alleged that they were guilty of negligence, breach of duty and breach of contract, and that they were further guilty of many

overt acts of conspiracy. His lordship said he was satisfied that Mr Auten's evidence was false and he accepted the evidence of the defendants; in particular the longer Mr Jones was in the witness box the more his truthfulness shone forth.

Neither Mr Rylands nor Mr Jones had done anything wrong in their dealings with the Director of Public Prosecutions.

The learned judge said that, so far as he could see, there was no prospect whatever that any of the defendants would be able to recover a penny of the very great expenses to which they had been put by the proceedings. The plaintiff had been legally aided.

Order Against Building Society Upheld

ON April 28th the Divisional Court dismissed an application by a building society for an order of *certiorari* to quash an order made by the Registrar of Building Societies on April 6th under Section 11 (1) of the Prevention of Fraud (Investments) Act, 1939. The registrar's order is that no invitation to subscribe for or to acquire or offer to acquire securities or to lend or deposit money should be made by or on behalf of the society.

The Lord Chief Justice, announcing the decision (according to *The Times* of April 29th), said that the chief registrar had carried out an investigation from May 1958 to February 1960. After notice of intention to make the order had been given, the chief registrar had heard representations on behalf of the society but had not been satisfied and, having obtained the necessary Treasury permission, had made the order. His lordship was satisfied that the registrar had acted fairly. On April 29th the Court of Appeal directed that the hearing of the society's appeal from this decision be heard as soon as possible after May 6th. In the meantime the society's name would not be published.

Research and Development Expenditure

IN recent years a considerable amount of attention has been paid by Government departments to the assembling of information on research and development expenditure, and on the qualified manpower absorbed by it. The Ministry of Labour published their findings on qualified manpower at the end of 1959¹; recently the Department of Scientific and Industrial Research issued a report under the title of *Industrial Research and Development Expenditure*² on the results, in the main, of a sample inquiry held last year. Some 292 returns, out of 502 questionnaires sent out, were obtained from manufacturing concerns showing their expenditure on research and development in 1958, together with the number of persons employed in these fields.

From these returns it is calculated that manufacturing industry spent about £300 million on research

¹ See *The Accountant*, March 19th, 1960, page 347.

² See *The Accountant*, January 2nd, 1960, page 14.

³ H.M.S.O., 1s 3d.

and development in 1958. This compares with £190 million in 1955. In that year it was thought that some two-thirds of the total expenditure was paid for by the Government through defence contracts, but by 1958 this proportion had come down to less than one-half. In this case, 'civil' research and development in manufacturing industry has about doubled between 1955 and 1958.

There are some interesting comparisons of research and development expenditure expressed as a percentage of net output. For manufacturing as a whole, the percentage is 4.2; but this average masks wide

variations. It is estimated to be over 35 per cent in the aircraft industry and 12 per cent in electronics; in both these industries defence contracts are of major importance. At the head of 'civil' industries stands chemical and allied trades, with research and development expenditure equal to nearly 6 per cent of net output. The proportion is low in the case of textiles, ceramics, glass and cement, food, drink and tobacco, and perhaps surprisingly, iron and steel. In the latter industry a very high rate of capital expenditure no doubt compensates for this low proportion of research and development expenditure.

This is My Life . . .

by An Industrious Accountant

CHAPTER 23

IT is unusual for an accountant to suffer from malnutrition, but yesterday I felt like the man in the advertisement for night starvation. It started when, coming down to breakfast, I stopped to get some lecture notes from the bottom drawer of my desk. I opened it to find a soggy, swimming mess of pulp, with fragments of ice still perceptible in the corners. I rescued most of the notes in mingled bewilderment and anger, only partly alleviated by the weeping confession of my five-year old daughter who, it appeared, had carefully collected the ice in the recent cold spell. 'Because Daddy likes it with his drink on Sunday morning . . .'

In the upshot, I missed my breakfast and my bus and reached the office in disgruntled mood. There was the sales manager waiting, practically gnashing his teeth, with my office manager at his most dignified pose opposite him. There was trouble in the canteen; in fact, there was chaos.

Following ancient custom, our canteen is the province of the office manager, and he's been in hot water recently. It started when our cost accountant produced a scathing report on the periodic quarterly losses and commented in particular on the excessive number of choices allowed to the staff, with the consequent large 'left-over' going to waste. The chairman glanced grumpily through the report and the office manager got hauled over the coals. He, in turn, gave the chef a lecture on the stringent need for drastic economies, and the chef took it to heart.

The chef is a tall, thin, lugubrious fellow with black hair slicked down wetly above a long face and we balance his occasional irascibility against his really excellent cuisine. This time, however, he went too far. 'One main course; no wastage' became his motto, and he rang the changes on the week's menu

in a manner that produced alarm and despondency.

The roast beef had been magnificent on Monday, the cold meat, pickles and salad had been tasty on Tuesday, but the shepherd's pie on Wednesday was terrible, and even those who had wryly appreciated the chef's obedience to orders began to see red. Their annoyance was provoked afresh by the office manager, a tactless type, who had worked in Bombay in his early career, and developed a violent distaste for meat dishes in any form; so he always has special meals. The sight of him smugly alternating between boiled salmon and grilled Dover sole all the week, while we tried to redeem the shepherd's pie with excessive tomato ketchup, was most galling.

However, the climax came yesterday morning. When word came from the typist who ran off the menu cards that the main course consisted of rissoles and no choice, there was nearly a riot. Senior executives of a normally sophisticated urbanity came into the office to protest, crimson with anger and wild of eye. The sales manager had three important customers coming at mid-day for their seasonal stock-piling and if he couldn't get chicken and ham and minute steaks he would have blood. . . . He's a Scot with the temper that proverbially goes with auburn hair, and I feared that the office manager might not last to enjoy his pension.

That gentlemen, however, was standing on his dignity; he had the chairman's direct instructions and was entitled to implement them: the chef in his turn was obeying orders. Nevertheless, they were looking for my help and it was clearly a matter of saving face for all concerned. It seemed a far cry from my morning's assignment to study a punched-tape installation and I wasn't feeling at my best, particularly as the 'elevenses' tea-wagon hadn't functioned owing to the argument. It was an effort not to tell them 'a plague on both your houses' and go down town to lunch.

However, subtlety triumphed. When in doubt, go to the source. A rapid recap of the problem to our managing director, that extremely polished character, and he telephoned down a message: he was bringing the chairman to lunch; could we lay on something special? So honour was saved all round and we hope that reason will prevail from next week on. . . .

Reviews

An Accountant's Working Papers

by FREDERICK A. J. COULDREY, A.C.A., A.A.C.C.A., A.C.C.S. (Gee & Company (Publishers) Ltd, London. 18s 6d net.)

The amount of paper that accumulates in the office of a practising accountant in the course of a year is formidable and the time spent in organizing reliable records and filing systems (assuming that they do not already exist) to retain the essential and discard the rest will soon be recouped by savings in salary, rent and stationery bills. As a contribution to solving the problem of rationalizing audit working papers, Mr Couldrey has written a sensible and straightforward guide. His precepts are not new but he does well to bring them to the profession's notice again and in just the right sequence.

An introductory chapter outlines the scope of the operation and succeeding chapters deal with the balance sheet and profit and loss accounts, item by item. Then follow five chapters on sundry working papers, the ownership and retention of working papers, special audit working papers, incomplete records and audit notebooks. The appendices include one on audit ticks and another giving illustrations of specimen audit schedules. Throughout the book, the author is precise without being pedantic and there must be few practising accountants who could not learn, or re-learn, something from his pages. As for articled clerks, new to the job, the book should be made compulsory reading.

Punched Cards

by J. SANDFORD SMITH, F.C.A. (McDonald & Evans Ltd, London, 50s. net.)

Mr Sandford Smith is a chartered accountant who has spent many years as a specialist in organization and methods both in an advisory capacity and in actual practice. He has for long been particularly concerned with punched-card installations and is therefore admirably qualified to write on this subject. There is a curious dearth of literature on punched cards which makes this volume, a successor to the same author's short paper on punched-card accounting, published soon after the war, all the more welcome.

This book is written in two sections. Part I, called 'The management approach', deals with the range of equipment on the market today and the ways in which it can be used to serve the purposes of management. Part II gives several examples of actual installations in operation today, including sales, payroll, stock and production control and some unusual applications.

Part I is designed to explain the theory of punched-

card accounting and to assess the place of punched cards *vis-à-vis* electronic computers. For many years punched cards led the field in accounts mechanization, and it might now be feared that this position has been lost to computers. But the author is at pains to point out that the scope for punched cards is in fact increasing both in its own right as a means of data processing, as an evolutionary stage in preparation for computer application and as a direct source of computer input media. Punched cards are particularly appropriate as a forerunner to full-scale electronics, in that both systems require a complete re-thinking and re-design or the organization of the business.

The rest of the first part of the book deals in some detail, but without ever becoming too technical, with the main features of the whole range of punched-card equipment. The second part gives some most interesting examples of the practical application of punched-card techniques to both common and unusual accounting procedures. The book is clearly and interestingly written. It should prove to be most useful to anyone approaching punched cards for the first time, and at the same time could be used as an excellent source of new ideas to anyone involved in the introduction or operation of a punched-card system.

At first sight the book appears to be rather expensive, but this is probably justified by its handsome production and the many excellent photographs and illustrations.

Science in Industry

by Professors C. F. CARTER and B. R. WILLIAMS. (Oxford University Press, London. 21s net.)

This is the third of a series of reports written for the Science and Industry Committee set up jointly by the British Association and the Nuffield Fund to study the factors which influence the adoption of new scientific ideas and techniques. The authors are, respectively, chairman and secretary of the committee.

The aim of the authors, both professors of economics at Manchester University, is to present concrete proposals to industry and the Government for policy and action to help in the fruitful application of science to industry. The material for analysis and study was derived from evidence given to the committee by some 250 firms of all sizes and degrees of progressiveness. Consequently the authors have produced an extremely practical book, and they show their academic skill in the manner in which they have sifted and presented the evidence. They put forward a set of general rules for deciding what kinds of research and development work are most likely to be worth while, and for making use of the new ideas developed. They relate these rules to such techniques as work study, production planning and control, budgetary control, costing and market research.

As further examples of the practical nature of the advice proffered, one might quote the chapter on methods of communication which contains suggestions for ensuring that new ideas are quickly picked up and disseminated through the business. Another chapter provides a set of principles for reaching research and development decisions, a third deals with the difficult problem of the management of research and development.

In the second half of the book the action which the Government can take to stimulate research and development is discussed; in the authors' views no clear-cut policy has yet emerged. Their own proposals deal with the nature and scope of Government aid for research and development, training for qualified men and for technicians, taxation and credit policy designed to stimulate research, and they discuss the effect of tariffs and restrictive practices on technical progress. The Minister for Science would, in all probability, find little at which to cavil in these proposals.

From the point of view of timing, the appearance of the book just prior to the publication of the results of the 1959 survey of scientific and engineering manpower was, perhaps, rather unfortunate. As it is, the book has to draw upon the financial and man-power inquiries carried out in 1956. But taken as a whole, it can be stated that the book achieves its purpose to a remarkable degree. The chapter which summarizes the complete contents of the book adds greatly to its value.

Fringe Benefits and their Federal Tax Treatment

by HUGH HOLLEMAN MACAULAY, Jun. (Columbia University Press; Oxford University Press, London. 52s net.)

The difficulty of ensuring that all benefits are brought into tax is well known in this country and the Revenue has been urged by the Royal Commission on Taxation that it should keep an eye on developments. The same problems confront the United States Internal Revenue Service. As in this country so in the States, easy profits during inflation coupled with high taxation and the need to retain the services of good staff have led to a tremendous growth in so-called fringe benefits. In addition to the expansion in both group and individual pension schemes, there has been a great increase in holidays with pay, as well as sickness benefits for both the employee and his dependants.

In the decade ended 1957, fringe benefits accounted for an ever-increasing proportion of the payroll; in one sample of over one hundred companies the share of the payroll accounted for by such benefits rose during the period from 15 to 24 per cent. About one-half of this sum represented pay for time not worked, and the other half consisted of goods and services which largely escaped the Revenue net.

Professor Macaulay has produced a thoughtful and

reasoned analysis of this problem and one can only hope that someone will undertake a similar inquiry on this side of the Atlantic before long.

Charlesworth's Mercantile Law

Ninth edition. Edited by CLIVE M. SCHMITTHOFF, LL.D., Barrister-at-law, and DAVID A. GODWIN SARRE, M.A., Barrister-at-law. (Stevens & Co Ltd, London. 21s net.)

This popular work has now reached the stage, unfortunately prematurely, of being brought up to date by other hands than those of the author. The editors have introduced no revolutionary changes but, keeping closely to the plan of the author, have added brief references to statutes and decisions passed and given since the last edition. According to the preface the book is primarily intended as a textbook for students. But it is also of value for office use for quick reference on legal points which suddenly arise.

The Cheques Act, 1957, is one of the recent statutes dealt with. The editors have not taken the opportunity of enlarging the brief account of receipts (page 71) and of giving some idea of the scope of the Stamp Act, 1891. This Act is in fact cited only in connection with marine insurance. The section on 'Interpretation of Contract' was always too short and could have been usefully enlarged to take in recent decisions on exemption clauses.

The Divided Lady

by BRUCE MARSHALL. (Collins, London. 15s net.)

Mr Marshall's recent novel, *The Bank Audit*, was peopled with accountants. On this occasion, he rations himself to one. James Childers is sent - not to a factory off the North Circular Road to investigate some alleged irregularity in the insurance cards, as would have been the case in real life - but to Rome to examine the affairs of a film producer, Morabito, who is accused of misappropriating money entrusted to him by the nuns of the Mother House of the Sisters of Ramoth-Gilead to make a film of the life of St Joseph Benedict Cottolengo of Turin. When in Rome, he meets one girl whose smile 'would have melted the President of the Institute' and gets caught up with another out of his own past of the Second World War.

This bewilderingly fast - in more meanings than one - tale of wine, women and accountancy, leaves the reader rather breathless as the scene shifts from Rome to Milan and then to Venice and then to London. The same characters keep meeting each other in the most unlikely places with a casual certainty which gives one the impression that the author has forgotten all that he must have known, once upon a time, about the law of probability for the Scottish Chartered Accountant Intermediate examination. Mr Marshall's novels, however, are tonics and not textbooks and the whereabouts of his puppets are, so to speak, neither here nor there. What does enchant is the engaging

mixture of irony and wit he dispenses in the telling of his stories and long may he continue to do so.

RECENT PUBLICATIONS

STANDARD COSTING, by J. Batty, M.COM.(Dunelm), A.C.W.A., M.O.M.A. xii+328 pp. 9×6. 25s net. Macdonald & Evans Ltd, London.

HOTELS AND RESTAURANTS IN GREAT BRITAIN AND IRELAND, 32nd edition. xvii+516 pp. 8½×5½. Card covers. 3s 6d, 4s 6d post free. Published annually by the British Hotels and Restaurants Association, 88 Brook Street, London, W1.

THE ELEMENTS OF INCOME TAX LAW, fourth edition by

C. N. Beattie, LL.B. xxviii+221 pp. 9×5½. 30s. Stevens & Sons Ltd, London.

ISRAEL INCOME TAX COMMENTARY, Business Diary Tariffs and Fees Amendment No. 21, by G. Alon, up to date to February 1st, 1960. 48 pp. 9½×7. Card covers. Price IL.5.— Business Diary, P.O.B. 1313, 37 Harbour Street, Haifa, Israel.

CLERICAL JOB GRADING AND MERIT RATING. 91 pp. 6×10. Card covers. 35s. Issued with the authority of the Council by the Office Management Association, London.

A. & P., A study in Price-cost Behaviour and Public Policy, by M. A. Adelman. Harvard Economic Studies, Vol. cxiii. xvi+537 pp. 8½×6. 80s net. Harvard University Press; Oxford University Press, London.

Finance and Commerce

Farmers Trading Society

THIS week's reprint of the accounts of the West Cumberland Farmers Trading Society Ltd presents an accounting view that as far as can be recalled has not previously been given in this column. This Society, it is claimed, is the largest of its type in the United Kingdom. Undoubtedly, its figures are impressive. In fact, it may well come as a surprise to many readers whose work is solely on 'town' audits to see such a substantial organization of farmers, its trading and its finances.

Centred in Whitehaven, Cumberland, the Society's twenty-three main branches cover an area extending across the border into Scotland as far as Airdrie and Midlothian. What these branches do for the 17,350 members is evident in a separate description of the main items of plant and machinery: elevators, grinders, mixers, weighing machines, seed cleaning plant, conveyors, lathes, drills, compressors, welders, jacks, pumps, space heaters, egg grading machines, poultry plucking machines, refrigerators, deep freeze storage and potato packing machines.

And the efficiency of the administration can be seen in the punched-card equipment and ledger posting machines that account for most of the expenditure on office equipment.

The transport department alone is a sizeable undertaking with twenty fuel tankers, 206 commercial vehicles and 134 cars.

Increasing Capital

'Comparative figures' give an indication of the volume of business handled on behalf of members. The chairman's statement extends the view. In the egg marketing section, there was a throughput of

367,086 cases and despite the surplus of eggs in the latter part of the year, 91 per cent of members' production was sold to the retail trade either directly or through the Society's own subsidiary wholesaling organizations.

In poultry marketing, the Dumfries station has a capacity of 25,000 birds a week. The problem here is not of finding a market but of finding the producers of table poultry. In many instances the business is two-way, and the chairman points out that it is not possible to draw an exact line between requirement services and marketing services. The Society helps to market members' grain by turning it into feeding stuffs or re-cleaning it for seed and re-selling it to members. Branches in the eastern half of the territory moved considerable quantities of grain to the consuming branches in the west and to the Society's milling departments.

Apart from the Society's own measures to strengthen its finances, opportunity is also given to members to increase their shareholdings by the addition of their interest and bonuses. A substantial part of the amount due for 1958 was thus left in and the total increase in share capital in 1959 amounted to £192,686.

The Uganda Company

INTERESTING reading in the light of current affairs is contained in the statement with the accounts of the Uganda Co Ltd by the chairman, Mr J. F. Eccles, O.B.E., F.C.A. The company carries on business as East African merchants.

There are now over 3,000 shareholders in the company, he says, and of these over 200 are African shareholders. It was to give Africans an opportunity to become shareholders in the company that a special issue of 200,000 10s shares was made at par by a prospectus published in East Africa last October.

The company, registered in the United Kingdom, has a prominent place in the East African economy as estate managers, motor agents, produce merchants, etc., and the directors felt that local residents should be able to invest in the company on the same terms as if they were investing in a local company. To assist in this, a local market was made for the shares.

The main encouragement, however, came from

Comparative Figures

	1959	1958	1957
Sales of Feeding Stuffs.	221,858 Tons	199,014 Tons	167,258 Tons
Fertilisers & Lime.	157,650 Tons	133,285 Tons	124,116 Tons
Fuel Oils.	6,898,120 Gallons	6,377,355 Gallons	4,946,577 Gallons
Eggs.	367,086 Cases	294,669 Cases	255,927 Cases
Poultry	451,227 Birds	391,341 Birds	350,087 Birds
	1959	1958	1948
Average Capital per Member	£82	£76	£32
Average Trading Balance per £1,000 Sales	£110	£105	£121

Where the Money goes

Each £1 of Sales is accounted for as follows.

	1959	1958	1957
Cost of Goods	17 10.98	17 10.67	17 11.56
Wages	9.18	9.30	8.79
Transport	2.36	2.74	3.15
Other Expenses	2.98	3.29	3.07
Depreciation	1.28	1.26	1.11
Total	19 2.78	19 3.26	19 3.68
Available for Reserves and Dividends	9.22	8.74	8.32
	20 0	20 0	20 0

Fixed Assets

Property: The Society owns the whole of the properties in the schedule of branches and departments set out later in this Report, with the exception of the Fuel Oil depots and the following properties: Keswick, Dunbar, Newcastle (Eggs), Hexham Machinery (Leasehold), and Carlisle Pharmacy.

Plant & Machinery: The range covered by this heading can be gauged from the following list of major items:—

Elevators, Grinders, Mixers, Weighing machines, Seed cleaning plant, Conveyors, Lathes, Drills, Compressors, Welders, Jacks, Pumps, Space Heaters, Egg Grading Machines, Poultry Plucking Machines, Refrigerators, Deep Freeze Storage, Potato Packing Machines.

Motor Vehicles: The Society's fleet comprises:—

20 Fuel Tankers.
206 Commercial Vehicles.
134 Cars.

Office Furniture: The bulk of this expenditure is in respect of Punched Card Equipment and Ledger Posting machines, but the following items are also included:—

Typewriters, Printing and Duplicating Machines, Dictating Machines, Photo Copying and Micro Film Equipment, Mailing and Franking Machines, Addressing Machines, Desks, Tables, Chairs, Canteen Equipment.

The Simple Facts

1. 17,350 Farmers have invested in an organisation which they operate themselves
2. Over many years Reserves have been built up out of profits to a total of
This protects their investment and provides additional working capital
3. Some of them have placed money on loan to the Society to a total of
Altogether this amounts to
4. To conduct their various activities they have acquired Properties, Plant, Machinery, Motor Vehicles, Office Furniture and Accounting Machines which, after adequate depreciation has been charged, now amount to
5. In order to obtain the maximum trading benefits the Society has made investments in a number of companies at a total cost of
6. The day to day operations of the Society involve further expenditure in connection with Stocks, Members' Trading balances and other debtors.
Some of this expenditure is in fact partly covered by the amounts owing to suppliers, and the net amount financed by members is
7. At the 31st December, 1959 this left a balance of

In cash.

£1,956,074

FIVE YEARLY PROGRESS.

Year	Sales £	No. of Members	Share Capital £	Reserves £	Profit Distributed for year £	Profit Distributed to date £
1914	3,995	48	515	—	—	—
1919	35,888	192	4,894	—	368	368
1924	182,467	801	15,949	868	1,921	7,864
1929	299,988	1,195	28,987	10,000	3,506	20,632
1934	340,000	1,593	43,422	12,000	7,892	47,058
1939	655,485	3,222	75,235	15,000	23,353	130,557
1944	997,418	4,178	75,243	22,500	38,085	304,974
1949	2,238,501	7,060	205,291	25,000	68,170	575,630
1954	6,390,607	10,060	569,073	100,000	185,885	1,167,759
1959	13,289,728	17,350	1,417,154	404,952	397,715	2,630,599

West Cumberland Farmers Trading Society Limited.

DEPARTMENTAL SALES FOR THE YEAR ENDED 31st DECEMBER, 1959.

	1959 £	1958 £
Feeding Stuffs Departments	9,153,852	8,139,355
Eggs	2,137,254	1,905,093
Machinery	845,267	529,029
Fuel and Burning Oils	492,475	430,284
Poultry	202,485	205,801
Potatoes	129,858	136,919
Sundry	328,537	252,530
	<u>£13,289,728</u>	<u>£11,599,011</u>

West Cumberland Farmers Trading Society Limited.

BALANCE SHEET AS AT 31st DECEMBER, 1959

	1959 £	1958 £
SHARE CAPITAL	1,417,154	1,224,468
SURPLUS: General Reserve	350,000	300,000
Undistributed Profits	54,952	44,886
RESERVE for Future Taxation	66,316	59,846
MEMBERS' LOANS	1,888,422	1,628,400
	67,652	76,330
TOTAL CAPITAL EMPLOYED	£1,956,074	£1,704,730
REPRESENTED by:		
CURRENT ASSETS		
Stocks on Hand	944,572	716,440
Trade Debtors and other Balances		
(less Reserve for Doubtful Debts)	1,471,015	1,219,540
Investment: Government Stocks		5,997
Loans to Local Authorities		200,000
Cash and Bank Balances	78,308	17,940
	2,493,895	2,159,917
CURRENT LIABILITIES		
Creditors and Provisions for		
Accrued Charges	932,634	805,883
Current Taxation	29,405	23,500
Provision for Interest and		
Bonuses as recommended	397,715	342,487
	1,359,754	1,171,870
NETT CURRENT ASSETS	1,134,141	988,047
TRADE INVESTMENTS (less Reserve)	79,533	68,433
FIXED ASSETS: Freehold Property	448,300	391,200
Plant, Motor Vehicles		
Office Equipment etc	294,100	257,050
Directors	742,400	648,520
	£1,956,074	£1,704,730
W. ATKINSON		
H. R. GRICE		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1959

	1959 £	1958 £
TRADING PROFIT for the year (after Administration Expenses and Depreciation)	519,110	443,506
Add:		
Investment Income	2,012	10,188
Rents Receivable	1,272	988
	3,284	11,176
Deduct:		
Loan Interest	522,394	454,682
Employees Pension Scheme	2,672	2,947
	8,839	7,845
	11,511	10,792
NET PROFIT FOR YEAR (subject to Taxation).	510,883	443,890
Deduct:		
Provision for Income Tax 1960/61.		
and Profits Tax, 1959	50,000	47,500
	460,883	396,390
BALANCE BROUGHT FORWARD	44,885	42,084
from last year	3,101	1,101
(Less additional cost of 1958 bonus)		
	502,667	437,373
Deduct:		
Recommended Allocations:—		
Transfer to General Reserve	50,000	50,000
Interest on Share Capital at 5% per annum	70,165	60,634
Bonuses on Members Trade	327,550	281,853
	447,715	392,487
BALANCE CARRIED FORWARD	£54,952	£44,886

AUDITOR'S REPORT

The undersigned having had access to all the Books and Accounts of the Society, and having examined the above Balance Sheet and annexed Profit and Loss Account, and having verified the same with the accounts and vouchers relating thereto, now signs the same as found to be correct, duly vouched and in accordance with the Law.

Stock-in-Trade has been certified as to values by the General Manager.

CECIL EDWARDS,

Chartered Accountant & Approved Auditor,
(Parker, Edwards & Co.),
20, Lowther Street,
Whitehaven, Cumberland.

26th February, 1960.

the institution of the overseas trade corporations. Until then, peoples in Commonwealth territories had been unable to invest in such companies as the 'Uganda' unless they were prepared to bear full United Kingdom taxation. It is now possible in given circumstances for non-United Kingdom residents to receive dividends from an 'overseas trade corporation' company free of United Kingdom tax.

The East African share issue was more than three times covered by applications and all applications from African subscribers were allotted in full. Market price in London at the time of the issue was about 12s 6d.

Information

THE statement by the chairman of The International Investment Trust Ltd, Mr H. J. Vennils, in its reference to the form of company accounts and the information in them, is interesting and would have been even more so had he indicated what particular improvements he would like to see. 'Members', he says, 'will appreciate that one of the

ways in which we supervise the investments in the portfolio is by analysing the annual accounts of the companies in which we may be interested. But the information contained in such accounts', he adds, 'while having to fulfil certain minimum legal requirements, varies considerably in the extent to which it helps shareholders to assess the progress of their companies.'

Mr Vennils hopes that any legislation that follows from the appointment of the Company Law Amendment Committee under Lord Jenkins 'will enable shareholders to become more fully acquainted with their companies and assist private investors and financial institutions alike to assess more accurately the investment merits of particular companies'.

No doubt the Association of Investment Trusts will make its own recommendations to the Committee on behalf of the trust movement. It would be interesting to know, however, whether investment trusts ever make a direct approach to the companies in which they have invested for the inclusion in accounts of information which they feel is now lacking. Such liaison between the investment analysts and company directors might possibly produce results.

CITY NOTES

THE second phase of Mr Amory's Budget - the tightening of credit conditions - has proved less onerous than the City had expected and for that reason it has failed completely to dispel the feeling of uncertainty in the stock-markets. Only the gilt-edged section has derived any material benefit from the new moves. The prospect that bank selling of Government stocks may now ease, has brought in firm buyers of 'gilts' and the market has made definite headway. Some banks will have to sell investments to meet the 'special deposit' call, but selling on that score is not expected to be particularly heavy.

So far as the equity market goes, the credit moves have only served to foster an opinion that something stronger may be necessary on the grounds that the 'special deposit' gambit will take a considerable time to work itself through the banking system and that the hire-purchase curbs will not have anything more than a marginal effect on demand.

It remains to be seen whether the action taken is strong enough or timely enough to ease the pressure now being exerted on the economy. The trade figures and the balance of payments position will have to be watched carefully in the next two or three months.

If imports continue to rise at their recent rate and the trade gap continues to widen, some further moves to damp down home demand may prove necessary. That is clearly at the back of investors' minds still.

A certain degree of liquidity in investment positions will not come amiss now, particularly since calls on investment funds through new capital issues are likely to be heavy and frequent over the next few weeks.

RATES AND PRICES

Closing prices, Wednesday, May 4th, 1960

Tax Reserve Certificates: interest rate (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Feb. 26	£4 11s 107d%	April 1	£4 12s 505d%
Mar. 4	£4 10s 934d%	April 8	£4 12s 1183d%
Mar. 11	£4 11s 832d%	April 15	£4 13s 110d%
Mar. 18	£4 12s 352d%	April 22	£4 13s 088d%
Mar. 25	£4 12s 503d%	April 29	£4 13s 048d%

Money Rates

Day to day	3-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
<i>Fine Trade Bills</i>		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 11-11	Frankfurt	11.71 11-11
Montreal	2.71 11-11	Milan	1743-11
Amsterdam	10.58 11-59½	Oslo	20.02 11-11
Brussels	140.01 11-11	Paris	13.77 11-11
Copenhagen	19.36 11-37½	Zürich	12.17 11-11

Gilt-edged

Consols 2½%	47½	Funding 4% 60-90	90½
Consols 4%	71 11	Savings 2½% 64-67	83½
War Loan 3½%	62 11 11	Savings 3% 55-65	90½
Conversion 3½%	62½	Savings 3% 60-70	80 11
Conversion 3½% 1969	85½	Savings 3% 65-75	73½
Exchequer 5½% 1966	101½	Treasury 2½%	46 11
Funding 3% 66-68	83 11	Treasury 3½% 77-80	76½
Funding 3% 59-69	82 11	Treasury 3½% 79-81	75
Funding 3½% 99-04	69 11	Victory 4%	94 11

Asian and Pacific Accounting Convention

We summarize below some of the papers discussed at the technical sessions of the Asian and Pacific Accounting Convention held last month in Melbourne. A short report of the proceedings appeared in 'The Accounting World' in our issue of April 16th.

MACHINE METHODS

IN a paper on 'Machine methods', Mr Edward C. Brown, headquarters accountant, Qantas Empire Airways Ltd, Sydney, traced the development from the first steps towards modern machine calculation made by the invention of crude calculating and adding machines in the seventeenth and eighteenth centuries, to today's accounting machines.

If machine methods are under consideration the problem, it is stated, is then one of deciding on the economics of new or replacement equipment. Even if the economic case for installing new machinery is established the practical factor of prestige and the availability of cash must be taken into consideration.

A thorough survey of the procedures involved should be made before new equipment is purchased and it is essential that the machine that is adopted should fit the system rather than the modification of the system to suit the machine. It is therefore often advantageous to construct flow charts to give a picture of the procedures before actual selection of equipment.

Before installation there should be an examination of alternative applications and an investigation of specific kinds of equipment for each job, as many machines are designed to do a particular type of work.

When choosing accounting machines there are also certain related factors of great importance, e.g. the availability of a satisfactory machine maintenance service, and special care is necessary to ensure that a good machine is supported by appropriate stationery and related equipment.

In installing machine equipment there are also a number of pitfalls to avoid, e.g. the machine available at the lowest cost may not be the best for one's purpose; cost of stationery needs looking into; speed of machine or operator should not be of vital importance; availability of efficient operating staff; replacement in a case of emergency; inducement provided by the machinery to find work for it in producing records which are not really necessary.

Mr Brown added that if Australia adopts a decimal system of currency the problem of conversion of existing machines from a sterling basis to the new system will become important, but if, on consideration, an installation is justified the possibility of future developments should not be permitted to defer the installation.

CONTROL THROUGH ACCOUNTING

IT is necessary to distinguish between control in the sense of 'management and influence' and control in the sense of 'restraint', stated Mr L. V. Phillips, F.P.A.N.Z., of Wellington, in a paper on 'Control through accounting'.

It is the function of financial management to use the resources of the enterprise to the best overall advantage and costs must be low enough to produce a profit which yields a reasonable return on investment.

Accounting can make a major contribution to the achievement of this objective through measurement and communication.

The principle of delegating responsibilities down the line and establishing management at each level requires to be reinforced by a system of measuring and reporting at each level, while economic evaluation of the possible course of action is another important function which accounting can perform.

A thorough knowledge of control techniques is fundamental, but this knowledge must be applied intelligently. The accountant must learn to think as a manager and information reported must be selective, pertinent and up to date.

There is a need, stated Mr Phillips, for the principle of control to be extended more and more to the sphere of the smaller and medium-sized businesses.

LONG AND SHORT RANGE PLANNING

MR W. H. DUIRS, F.C.A.(AUST.), of Perth, in a paper on 'Long and short range planning', stated that the concept of such planning in business can be regarded as another useful tool in the management kit and if properly applied will assist management to blend quantitative measurements with judgment and other intangible factors, thereby subscribing to the promotion of better decision making.

To efficiently plan the activities of a business to meet specific objectives it is necessary to develop reliable forecasts of economic climate and available and potential markets. It is also necessary to establish product structure, productive capacity and administrative organization.

Financial planning is designed (a) to express proposed operating plans in monetary terms; (b) to test for profitability; and (c) to measure the adequacy of internal and external financial resources to carry the proposed plans to a conclusion.

Long range planning has received considerable impetus during recent years, largely due to higher levels of commercial investment in capital assets and the increasing dimensions of individual business organizations.

Availability of more accurate statistical information regarding the behaviour of people, markets and economies has also contributed in no small measure to this impetus, and finally managements generally have become more planning minded.

Longer business cycles and heavily increased capital expenditure require business planning and budgeting to be applied over longer periods of future time than was previously necessary, said Mr Duirs. On the other hand, in some industries such as electronics, rapid changes in technology reduce and limit the future period of effective planning.

Comprehensive planning must embrace the activities of (a) sales, (b) production, (c) productivity, (d)

personnel, and budgetary control must be applied in order to measure activity costs against the plan.

The position frequently arises where the demands for capital investment exceed available funds and it is necessary to establish a capital budget with time factors and project priorities.

Subject to non-quantitative considerations projects should be given priority according to ability to produce the desired return on investment and if this theory is applied it is possible to measure alternatives against a minimum standard.

There is not an abundance of information readily available concerning the practices developed by Australian companies in their planning activities, concluded Mr Duirs, but the material submitted indicates that current developments in forecasting, planning and budgeting techniques are being applied by the undertakings concerned.

CONTROL OF INVESTMENT IN INVENTORIES

IN a paper on 'Control of investment in inventories,' Mr W. A. Dick, B.COM., F.C.A.(AUST.), of Melbourne, analysed the factors involved in determining inventory levels and considered techniques available for assisting management to maximize the return from investment in inventories, or minimize the costs of inventories.

The paper treats the decision making on inventories as a principal determinant of profits, rather than regarding inventories as a negative but necessary outcome of numerous other interacting business decisions. It examines the need for inventories under three main headings:

- (1) because of the time inherently necessary to complete the manufacturing replenishment cycle;
- (2) because of unpredictable variation in the manufacturing and replenishment cycle; and
- (3) because of the uncertainty of demand.

Stocks are considered to comprise a 'working' section determined by the amount ordered, and a 'safety' portion which depends principally on when an order is placed. Decisions on how much to buy and when to buy will affect the following costs of carrying inventory:

- (a) carrying charges in the form of insurance, interest, taxes, depreciation, storage, obsolescence, which will vary with the amount of stock carried;
- (b) procurement charges which will vary in accordance with the number of orders placed;
- (c) cost of lost sales through buying out of stock, which will depend on the level of safety stock.

The main objective in controlling investment in inventories, said Mr Dick, is to minimize these sets of costs and thereby maximize profits.

The problems of inventory management differ from industry to industry, the main factor in determining the best management techniques to use depending on the relative uncertainty of demand. Where demand is fairly predictable, as for industries supplying or stocking staple goods, mathematical approaches are particularly suitable. In most instances, the mathematics used need not be complex and, by compilation of tables, charts and other aids, the techniques can be built into an effective operating system. In applying mathematical approaches, the results depend on the reliability of sales forecasts, assessment of order lead times and management's ability to set a realistic and economic policy on planned stock-outs. The system

must be continuous so that current figures are used for calculating re-order points and quantities. Because the decision-making level is based on the individual item, stock items must be considered rather than aggregates and averages.

In control of style goods, where demand is highly seasonal and unpredictable, obsolescence heavily outweighs all other inventory costs. The optimum amount of any highly seasonal, styled item to place in inventory in anticipation of orders depends primarily on the probability of selling the amount before the end of the season. Statistical and marginal costing techniques are more suitable than mathematical formula for assisting in making inventory decisions where style goods are concerned.

Each unit added to stocks during each week of the selling season will have a decreased probability of selling before the end of the season and, therefore, can be expected to earn less profit. In theory, it pays to add to inventory to the point where the expected sales price will be equal to the variable cost plus the probable mark-down on the last unit.

Emphasis on predicting the probability of selling given items before the end of the season necessitates a reliable method of sales forecasting and a means of predicting the timing and duration of the selling season for particular categories of merchandise.

The problem of controlling investment in inventories, whether style or staple goods, is a matter of optimizing a number of alternate courses of action. Mathematical, statistical and marginal costing techniques are needed to provide reliable information on which management can base its decisions.

Accounting, declared Mr Dick, is reaching another cross-road where it can either change direction to embrace these wider concepts, or it can continue on its present path, possibly to a dead-end as a creative tool of management, leaving other disciplines to assist management in the major problem of decision-making.

RELATIONSHIP BETWEEN COST, PRICE, VOLUME AND PROFIT

MR CLINTON W. BENNETT, C.P.A., of Boston, presented a paper entitled 'Relationship between cost, price, volume and profit'. He stated that since the end of the Second World War great strides have been taken in the direction of increasing productivity both in the United States and in many other countries. In the ten years to 1957 American business spent large sums on new plant and equipment with a resultant increase of 72 per cent in the output of goods and services with no appreciable increase in the number of people employed.

Volume is probably the most important factor contributing to improved living standards, he emphasized. Mass production of many standardized products has permitted increased wages, decreased costs and selling prices, increased profits and increased distribution of a greater volume of goods to more and more people. Nevertheless, volume must be placed in proper perspective to all other aspects of the individual business enterprise.

Productivity is the most important yardstick for effectively measuring and controlling volume. After the close of the war the cost of living rose rapidly in many countries, including the United States, and in the latter a number of labour management contracts

entered into contained a provision to tie wages to the cost of living. Such a provision resulted in an upward spiral of costs and prices and so fanned the flames of inflation. Instead of this it is considered that wages should have been tied to productivity.

Increasing volume pays off in only two ways (1) more units on which profit can be earned; (2) it cuts costs, thus increases profits, so far as existing productive facilities can be used without commensurate increases in fixed costs.

In discussing the relationship of cost to volume, he pointed out that before and during the depression set in in 1929 business operations were in general on a single-shift basis. With the outbreak of war in 1939 and the resulting increased demand for goods, a three-shift basis was introduced to increase the volume of production, and costs and selling prices were geared to this higher level of production.

Costs that make sense to operating business management are those that show definitely what products should cost at varying levels of volume. Actual results need to be continuously compared with these costs, and standard costs are universally accepted in American industry as providing the best basis for comparison. For management to know the effect of volume on costs the standard product costs must be analysed into (1) out-of-pocket costs; (2) semi-fixed costs; and (3) fixed costs.

The day may be near when increased competition

and price cutting will mean that the manufacturer has increasing difficulty in passing cost increases to the public by way of higher prices. Increasing competition leads to increasing demand for lower prices, hence to an urge to cut prices in order to maintain sales, hoping that the larger volume will protect the profit level. The business man is up against the problem of prices-volume-profits relationship.

When price concessions result from increased competition and price cutting they usually have little or no relationship to costs. Management then needs effective costs and budgets to get a clear picture of what would have to be done if volume dropped to specific levels, and prices broke badly.

The effects of volume in pricing are felt in various ways, thus raising the important question, 'What is cost'? What is to be done about individual products of a group which show losses? How to deal with the influence of volume on pricing in the case of 'mass buyer demand'?

The relationship of all factors must be measured constantly and kept under control. Without productivity control, volume may reach the point of no return where 'the more you sell, the more you lose'.

Those responsible for the success of business enterprises have responsibilities to the public as well as to the owners of the business. Thus the business man has a basic job to do, namely, to attempt to successfully balance wages, prices and profits.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Share Premium (Take-over)

SIR, - Company A proposes to issue additional ordinary shares of £1 each (stock exchange quotation around 34s) for the purpose of purchasing company B's 10s shares (quoted at 28s) at the rate of one company A £1 share for each company B 10s share. A date for irrevocable acceptance is fixed but later extended indefinitely (during which period the respective share prices vary considerably).

Despite the provision of Section 56, Companies Act, 1948, which refers to issues of shares at a premium whether for cash or otherwise, can the theoretical share premium on the above issue be ignored in the parent company's books and company A's investment in its subsidiary, company B, be treated as having cost £1 for each 10s share?

Yours faithfully,
ACCOUNTANT.

Our New Monthly Feature

SIR, - I would like you to know how pleased I am with your new monthly feature providing information about new office equipment, which I think will be extremely useful to everyone.

Yours faithfully,
J. W. G. COCKE.

London, EC2.

SIR, - Congratulations on your new 'Office Equipment' feature.

Yours faithfully,
S. L. T. CRAWFORD.

Halstead, Essex.

Finishing Touch

SIR, - The following advertisement appeared on page 23 of the late afternoon edition of *The Evening Standard* of Thursday, April 28th, among the mass of Situations Vacant columns. I reproduce it exactly:

RETOUCHING ARTIST required for industrial accounts. Phone HOL 6378.

This may interest members of the profession, although ethical questions may arise.

Yours faithfully,
J. T. GEORGE.
Watford, Herts.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

REPORT OF THE COUNCIL FOR 1959

We reproduce below extracts from the forty-first annual report of The Institute of Cost and Works Accountants for the year ended December 31st, 1959, to be submitted at the annual general meeting of members to be held at The Imperial Hotel, Blackpool, on Saturday, May 14th, 1960, at 10.30 a.m.

Membership

During the year, 460 persons were admitted to membership and after allowing for resignations, lapsed memberships and deaths, the total membership at December 31st, 1959, was 6,530, showing a net increase of 394 over the previous year.

Registered Students

During the year there were 3,253 new student registrations and after allowing for transfers to membership, resignations, lapsed registrations and deaths, there were 16,140 names on the students' register at December 31st, 1959, as compared with 15,375 at the end of 1958.

Institute Awards

The Institute's *Gold Medal* was awarded, for services to the profession, to Mr Harold Wilmot, C.B.E., F.C.W.A.

Examinations

The examinations were held in June and December 1959 at twenty-seven home and sixty-five overseas centres. A total of 10,603 candidates sat, including 1,905 overseas. The comparative figures for the past six years are as follows:

1954	..	..	7,089	1957	..	..	9,332
1955	..	..	7,524	1958	..	..	11,121
1956	..	..	8,478	1959	..	..	10,603

The results of the examinations were as follows:

	Passed, completing examination		Passed one part only		Failed		TOTAL	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Fellowship	21	—	7	—	86	—	114	—
Final	268	248	344	403	1,168	1,095	1,780	1,746
Intermediate	581	497	751	538	2,310	2,052	3,642	3,087
Preliminary	60	—	—	—	174	—	234	—
TOTAL	930	745	1,102	941	3,738	3,147	5,770	4,833

Thirtieth National Cost Conference

The thirtieth national cost conference, held at The Connaught Rooms, London, was formally opened on the morning of Friday, June 5th, with the presidential address of Mr Henry J. Furness, F.C.W.A.

On the afternoon of Thursday, June 4th, the conference was addressed by Sir Brian Robertson, Bt., G.C.B., G.B.E., K.C.M.G., K.C.V.O., D.S.O., M.C., chairman of the British Transport Commission, on 'The economics of public transport'.

On the Thursday evening, the President and Mrs Furness held a reception at Mercer's Hall in the City of London, by kind permission of the Master and Wardens.

The two papers delivered on Friday, June 5th, dealt with organization and management structure. Mr G. E. Walker, O.B.E., director, Central Services, and secretary, Associated Electrical Industries Ltd, dealt

with the development of the organization and management structure of his group of companies. Mr T. C. Watkins, F.C.W.A., A.C.I.S., director and general manager, Reed Corrugated Cases Ltd, gave a paper on the problems of growth and development.

The Institute's annual banquet and dance was held at *The Dorchester Hotel* on the evening of June 5th, when the principal guests were Sir Edwin Herbert, K.B.E., and Lady Herbert, and Lieut.-General the Rt. Hon. Lord Weeks, K.C.B., C.B.E., D.S.O., M.C., T.D. During the evening, a cheque and a volume containing the signatures of all who had subscribed to a testimonial fund were presented to Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., formerly director and secretary of the Institute.

Regional Conferences

Conferences were held at the following places, the subjects and speakers being as shown:

COVENTRY - March 7th, 1959:

'Selling and distribution costs', W. L. Spalding, B.Sc.(ECON.), C.A., F.C.W.A.

'The next ten years', E. F. Brown, F.C.W.A.

GLASGOW - April 18th, 1959:

'Control systems in industry', G. S. Whitson, M.A., C.A., F.C.W.A.

'Control of capital expenditure', W. Coutts Donald, C.A., F.C.W.A.

SHEFFIELD - October 17th, 1959:

'Why does management spend money on cost accounting', M. A. Fiennes, M.I.MECH.E., managing director, Davy United Ltd.

'Future trends and prospects for management accounting', H. H. Norcross, F.C.W.A.

LONDON - November 21st, 1959:

'The effects of national economic policy on costs', Paul Bureau, City Editor, *The News Chronicle*; Ian T. Morrow, C.A., F.C.W.A.

Institute Functions

The President of the Institute, Mr Henry J. Furness, F.C.W.A., gave a dinner party at the House of Commons by courtesy of Mr Geoffrey Stevens, M.P., F.C.A., on Wednesday, January 14th.

The President gave a luncheon party on Tuesday, March 24th, at the Institute headquarters to a number of leading industrialists.

Mr S. P. Chambers, C.B., C.I.E., deputy chairman of I.C.I., was the principal guest at the members' dinner held at Quaglino's Restaurant on Tuesday, October 20th.

Research and Technical Activities

The Research and Technical Committee gave considerable attention during the year to promoting research studies through the branches. Branches were asked to appoint research officers who would co-

ordinate branch efforts and provide effective liaison with headquarters, and most branches did so. The subject for study during the winter session 1959-60 was 'The rising incidence of overheads and their control' and work proceeded.

The research for *An Introduction to Business Forecasting* was completed but publication was delayed beyond the end of the year by the printing dispute.

Work on the draft of the proposed publication *Marginal Costing* was completed.

Mr Derek du Pré, secretary of the Institute, again served as honorary editor of the Bulletin of the British Conference on Automation and Computation.

Mr J. A. Goldsmith, M.A., A.C.A., A.C.W.A., was nominated by the Institute to be a member of a European Productivity Agency mission to the U.S.A. in 1960 to study data processing techniques. Preliminary work started in Paris in September 1959, and a report will eventually be published.

A residential week-end course, sponsored by the Electronics Committee, was held in November at *The*

Randolph Hotel, Oxford. It provided an opportunity for management accountants with knowledge of automatic data processing techniques to exchange experiences and assess progress in the use of computers. Mr John Diebold was guest chairman.

Summer School

The tenth residential summer school was held at St Catharine's College, Cambridge, from September 21st to 26th. The subjects and speakers were:

'The installation of a costing system', K. S. Ayres, F.C.W.A.

'Some cost aspects of publicity', C. Raeburn, A.C.A., A.C.W.A.

'The measurement and utilization of capital employed', J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S.

'Take-over bids', K. Buckley Edwards, Barrister-at-law.

The Council desire to record their appreciation of the facilities provided by the College authorities and the excellent arrangements made by them for the summer school; also their cordial thanks to the speakers, chairmen and group discussion leaders.

EXTRAORDINARY GENERAL MEETING

At the conclusion of the annual general meeting to be held in Blackpool next Saturday, an extraordinary general meeting will be held for the purpose of passing special resolutions to alter the memorandum and articles of association and the name of the Institute. The background to the resolutions is as follows:

Admission to the Fellowship Examination

Admission to the Fellowship examination is at present restricted to associates of the Institute and to members of certain other accountancy bodies who have had not less than three years' practical experience of cost accountancy.

It is the Council's view that this qualification of practical costing experience for *admission to the examination* (as distinct from election to fellowship) may have debarred many potential candidates who would otherwise have been prepared to continue with their studies as a natural complement to passing the Institute's Final examination or qualifying as a member of a kindred society.

It is proposed to adopt a new Article 5, the effect of which, when read in conjunction with the bye-laws, is that a person who (i) has passed the Final examination of the Institute or (ii) is a member of another accountancy body approved for this purpose, may sit for the fellowship examination (or the 'Examination in Management Accountancy' as it is now to be called) without any condition as to practical experience of cost accountancy. Having passed the examination in management accountancy, the applicant for admission to fellowship will still have to show, as now, that: (i) he has attained the age of 26 years; (ii) he has had three years' practical experience of cost accountancy and five years' experience of management accountancy in a responsible position. The requisite experience of cost and management accountancy may be gained concurrently.

Deletion of 'Limited' from Institute's Name

The Council have for some time felt that it is appropriate that the word 'Limited' should be removed from

the name of the Institute. In order to do this, it is necessary to obtain the licence of the Board of Trade and the approval of the members at a general meeting. The Board of Trade have indicated that the necessary licence will be forthcoming subject to certain alterations being made to the existing memorandum and articles of association of the Institute.

At the extraordinary general meeting, members will accordingly be asked to pass special resolutions to amend the memorandum, to adopt a new set of articles and to change the name.

The adoption of a new set of articles is proposed in order to avoid the necessity of an extremely lengthy resolution amending the existing articles. The basic wording of the existing articles has, however, been preserved, and the only changes of any substance, other than the adoption of a new Article 5, are explained in the following summary:

- (1) The Board of Trade requires that a number of matters which have hitherto been regulated by bye-laws of the Council should be incorporated with minor modifications in the articles. These include such matters as applications for membership, entrance fees, subscriptions and cessation of membership.
- (2) Inconvenience has been caused in the past due to the automatic vacation of an elected member of Council's seat on his ceasing to have an address in his area of election. It is, therefore, proposed that he should not be obliged to retire until the next annual general meeting following the change of address.
- (3) The existing articles make no specific provision as to who may convene meetings of the Council. The new articles provide that the President or any three Council members shall have that power.
- (4) At present, the elected or co-opted seat on the Council of the person who is elected President, but not a Vice-President, becomes vacant on his election. It is proposed in the new articles that this principle should be extended to the Vice-Presidents.
- (5) The existing entrance fees and subscriptions, being those which came into force on January 1st, 1960, are contained in an appendix to the proposed new articles. If the new articles are adopted they cannot be increased except by an ordinary resolution of the members.

For Students

COSTING

Practical Problem

Question

Compute a machine-hour rate computation from the following particulars:

Cost of machine: £3,000 – scrap value £300.

Working life: 15 years running at 1,800 hours per annum.

Repairs and maintenance: £60 per annum.

Departmental rent and rates: £900 per annum.

The space occupied by the machine is one-tenth of the total for the department.

Wages of £12 per week for a 40-hour week are paid to a foreman engaged on his supervision of this and three other identical machines.

Power consumption: 12 units per hour at 1d per unit.

Oil, waste, insurance, etc.: 6d per hour.

Answer

MACHINE-HOUR RATE COMPUTATION

Machine No.: Department: Period ended:

*Departmental Expenses: s d

Rent and rates:

Total £900 per annum

Space occupied 1/10th of department = £90

Hours worked: 1,800 per annum

Charge per hour: $\frac{£90}{1,800}$ 1 0

Supervision:

Foreman's wage: £12 week

Hours worked: 40 (hourly rate 6s per hour)

Number of machines supervised: 4

Hourly rate per machine 1 6

Machine Expenses:

Depreciation: Cost of machine £3,000

Less Scrap value 300

£2,700

Working life: $15 \times 1,800 = 27,000$ hours

Charge per hour: $\frac{£2,700}{27,000}$ 2 0

Repairs: £60 per annum

Charge per hour: $\frac{£60}{1,800}$ 0 8

Power: 12 units per hour at 1d per unit 1 0

Oil, waste, insurance, etc. 0 6

Machine-hour rate 6 8

Prepared by..... Date prepared..... Copies to.....

* In view of the manner in which the information is given in the question, it is quicker to deal separately with each departmental expense. Frequently, all departmental expenses are aggregated, after which the hourly rate for all departmental expenses is ascertained.

EXAMINATION HINTS

MANY students will now be reaching the final stages of their pre-examination revision and the following notes may help them to tackle their examinations with success.

The candidate should appreciate that most examinees suffer to some extent from examination nerves. If, therefore, he feels nervous, he may be sure that most of the other candidates do too. Whether one should revise on the night before the examination, or give up work at the end of the week preceding the examination, is a matter of personal choice; every student has to adopt the method which is most appropriate to himself. The taking of an examination notebook, or a textbook, or study papers, to the examination, however, is normally not wise tactics. The attempt to 'spot' the question immediately prior to the examination is usually unsuccessful and invariably results in filling one's mind with unnecessary information which drives out of the memory the items one really requires. Far better is it, to adopt a fatalistic attitude that what you don't know then, you never will know in time for this examination.

The major matter to bear in mind is that if one has worked steadily through the correspondence or other course which has been taken and one possesses average intelligence, there is an extremely good chance of passing the examination.

On the morning of the examination, make an early start – and go to the right hall! The policy adopted by the candidate in *The Doctor in the House* should not be followed! The night before the examination, at least, it is wise to ensure that one knows the travel route to the examination hall. On arrival some time before the examination, it is a good idea not to join the bunch which seems to collect around the entrance but to go for a walk around the building, preferably with a friend and discuss anything but the examination. Immediately the doors are opened, it is a good thing to go straight to one's allotted desk; then listen, on the first morning, to the examiner reading out the rules of the examination. At the beginning of all other examination days, one can start straight away on the examination paper.

Before tackling any question, read the instructions at the head of the examination paper carefully; then read sufficient of each question to ascertain the exact requirements of the examiner, e.g. in the accounts paper read normally the end of the question to see whether a profit and loss account as published, or a detailed profit and loss account, is required. Having obtained a brief idea of what is covered by the paper, then read the questions through reasonably slowly. Five minutes spent quietly on absorbing the details required by the examiners are usually well spent and not wasted.

Having selected the examination question you wish to tackle first and which might be a small-mark question, read the question again very carefully. After being certain that you know exactly what the examiners require, tackle the question to the best of your ability. The advantage of tackling a low-mark question first is that within a reasonable time of the examination starting, one may complete a question which will assist one's confidence. The failure of many students is due to an inability to complete the examination because they don't have time to answer all the questions. In the

initial reading through of the paper, it is well to calculate the amount of time which can be afforded on each question. There are 180 minutes to get 100 marks: a little simple arithmetic will soon show the time that can be spent on each question.

The examiner will have to read a number of answer papers, therefore legible writing, clear tabulation of the answer (unless an essay is called for), short words and short sentences, neat alteration of figures, and alignment of figures will assist him in his task – as well as creating a good impression! Where the question involves supplementary workings, submit those workings with the answer and see that they are intelligible. If you put down a series of figures with no descriptions against them, you can hardly expect examiners to try and guess what was in your mind. So far as possible, answer questions logically so that if, for instance, you have to show the trading profit in a limited company question, then start your workings with the figure per the question paper and finish with the figures in your answer paper. While abbreviations do save time, avoid those which are only intelligible to yourself. As each part of a question is completed, mark it off on the

question paper so as to avoid the disheartening experience of remembering after leaving the examination hall that you have left one part of a question unanswered.

Examiners have from time to time pointed out that the major causes of failure in examinations, other than lack of knowledge, are (1) neglect of the notes at the head of the paper; (2) careless reading of questions; (3) failure to answer questions concisely and logically; (4) careless errors in simple arithmetic. Make sure you are not one of the candidates who commits these errors.

Finally, it is never a good thing to leave the examination room until the time for the paper is up. Even though you may complete your answers prior to the end of the examination, read them through again carefully and make certain that you have answered every question and every part of each question. Furthermore, make certain that the answers cannot be improved any further. Be careful, however, not to alter your answers just for the sake of altering them; the first attempt is frequently correct.

We wish all students sitting their examinations in the next few weeks the best of luck.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

The spring session was concluded on April 25th with the whole-day course for students living and working outside London, followed by the annual general meeting, of which a full report appeared in last week's issue of *The Accountant*.

The last two general lectures on 'Ethics for the accountant in practice' and 'Accounting in America' attracted only moderate attendances. The experiment of starting the lectures at 6 p.m. has not resulted in the increased support hoped for.

The mock income tax appeal in the Chartered Insurance Hall was attended by 261 students who went to hear whether Miss Hattley was carrying on a trade when making wine at home.

The midsummer dance this year is being held at the Hurlingham Club on June 16th.

Social Groups

Members may remember that an attempt is being made to bring together, outside office hours, both informally and socially, students who are at the same stage of their articles to instil a corporate spirit and encourage them to attend the Society's meetings *en masse*.

Arising out of the 1959 spring residential course was the 59 Club for students first articled in 1958. This club is now a flourishing group and apart from the monthly meetings, visits are organized. During March a theatre party was arranged and a visit was made to the *Daily Mail*. There was also a rugby football match against the Taverners followed by a joint party which was very successful. A limited number of club ties have been ordered and these are now available for purchase.

Another club, designed for students whose articles

commenced last year, has been formed around those who attended the recent residential course at Cambridge. More details can be obtained from the library.

The Taverners, begun by students from the senior course at Oxford last September, now feel sufficiently well established to issue a general invitation to all those who were articled before 1958 to come along and join them at their meetings, which are held on the first Thursday in the month at *The Black Horse* in Barbican, and to attend their parties and visits. This invitation will be included in a general circular to members in June.

Sports

The sports teams have continued the Society's recent run of successes, the Soccer team beating Guy's Hospital 7-2, and the Sir John Cass College 2-1; the hockey team drawing 2-2 with the Nottingham Students' Society, and beating the Birmingham students 3-1; and the squash team beating the Old Stoics 4-1.

A golf match has been arranged with the Chartered Accountants' Golfing Society, and Mr L. R. Nahon, 22 Lyndale Avenue, London, NW2, would be pleased to hear from students interested in playing.

Next Week's Meeting

The following meetings of the London Students' Society will be held during next week:

Wednesday, at Southend: Whole-day course on 'Taxation', by Mr V. S. Hockley, B.COM., C.A., A.A.C.C.A.

Thursday, 6.30 p.m. at St Paul's Tavern, Chiswell Street, EC2: Opening supper and general meeting of the new social club started at the 1960 Cambridge week-end course.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Dinner

The President of The Institute of Chartered Accountants in England and Wales, Mr C. U. Peat, M.C., M.A., F.C.A., gave a dinner at the Merchant Taylors' Hall, London (by permission of the Master and Wardens) last Tuesday. There were present:

Messrs W. G. Agnew, c.v.o., James A. Allen, W. M. Allen, Mrs W. Amor, Messrs S. J. Aronson, H. Garton Ash, O.B.E., M.C., Edward Baldry, O.B.E., R. W. Bankes, C.B.E. C. Percy Barrowcliff, W. L. Barrows, Sir Harold Barton, Messrs Sidney J. Barton, J.P., T. A. Hamilton Baynes, Henry A. Benson, C.B.E., Sir B. H. Binder, Messrs James Blakey, C. W. Boyce, C.B.E., N. E. Bruckland, W. L. Burt, M.B.E., P. F. Carpenter, Sir William Carrington, Messrs R. J. Carter, L. F. Cheyney, D. A. Clarke, Jack Clayton, J. W. G. Cocke, T.D., H. A. L. Cockerell, P. Cooper, T.D., J. T. Corbett, J. B. Corrin.

The Hon. C. W. M. Court, O.B.E., M.L.A., Sir Cecil Crabbe, Messrs I. A. F. Craig, O.B.E., C. R. Daniel, B. J. Davis, E. H. Davison, W. G. Densem, A. S. H. Dicker, M.B.E., Stanley Dixon, The Rt. Hon. Lord Dovercourt, Rev. A. John Drewett, Mrs J. J. Duncalf, Messrs Derek du Pré, Edward Emmerson, G. B. Esslemont, C.B.E., C. A. Evan-Jones, M.B.E., F. E. Figgures, C.M.G., F. H. H. Finch, Miss Margaret Fox, Messrs W. W. Fea, E. J. A. Freeman, G. R. Freeman, C.B.E., A. S. Frere, C.B.E., A. A. Garrett, M.B.E., John W. Gauntlett, Sir Harold Gillett, Bt., M.C., Messrs John Godfrey, E. B. Goldson, G. G. G. Goult, Mrs G. M. Graham, Messrs P. F. Granger, M. G. J. Harvey, L. C. Hawkins, J. S. Heaton, K. P. Helm, Lieut-Col. D. V. Hill, Messrs Donald V. House, A. W. Howitt, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs D. P. Hubbard, G. B. C. Hughes, Percy F. Hughes, W. T. Hunter, M.B.E., A. B. Inger, Paul D. Irons, J. A. Jackson, W. Jackson.

Sir Russell Kettle, Messrs J. C. Latham, D.L., W. H. Lawson, C.B.E., H. L. Layton, M.S.M., R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., M. A. Liddell, Thomas Lister, Leo T. Little, Sir Sydney Littlewood, Messrs Ernest Long, C. H. S. Loveday, E. H. V. McDougall, Alan S. MacIver, C.B.E., M.C., R. McNeil, J. H. Mann, M.B.E., P. J. Mantle, C.M.G., J. W. Margetts, R. P. Matthews, The Rt. Hon. Lord Mills, K.B.E., Messrs C. D. Morley, Bertram Nelson, C.B.E., E. R. Nicholson, John Norton, L. J. H. Noyes, F. C. Osbourn, M.B.E., Brigadier G. W. A. Painter, D.S.O., Messrs W. E. Parker, C.B.E., G. C. Peat, L. Pells, Brigadier E. C. Pepper, C.B.E., D.S.O., D.L., Messrs S. John Pears, C. J. Peyton, J. F. Phillips, O.B.E., H. J. Potts, Sir Richard Powell, K.B.E., C.B., C.M.G., Messrs F. E. Price, Leslie B. Prince, A. H. Proud.

Messrs F. M. Redington, J. M. Renshall, Miss M. J. D. Reynolds, Messrs P. V. Roberts, T. A. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Mr J. D. Russell, Dame Evelyn Sharp, D.B.E., Messrs K. G. Shuttleworth, H. L. Simpson, C. A. P. Snow, T. W. South, Raglan Squire, R. J. W. Stacy, C.B., David Steele, J. P. Stephens, Rodway Stephens, Geoffrey Stevens, M.P., H. W. Stotesbury, C. M. Strachan, O.B.E., C. A. Surtees, J. E. Talbot, E. Duncan Taylor, H. W. Thomson, W. F. Tidswell, G. L. C. Touche, F. C. S. Tufton, C. G. Vaughan-Lee, D.S.C.

Messrs D. A. Walker, W. B. S. Walker, F. H. Walsh, A. H. Walton, Victor Walton, Ronald Ward, W. S. Wareham, D. McC. Watson, Arthur E. Webb, F. J. Weeks, E. E. Weymouth, Michael M. Wheeler, D. H. Whinney, E. F. G. Whinney, William Whitfield, R. P. Winter, C.B.E.,

M.C., T.D., F. M. Wilkinson, J. C. Montgomery Williams, J. M. Williams, J. S. Wilson, R. Wood, E. Kenneth Wright, Sir Richard Yeabsley, C.B.E.

There were no formal speeches. The President welcomed the guests and Lord Mills expressed their appreciation. The Hon. C. W. M. Court, O.B.E., M.L.A., F.C.A.(AUST.), deputy Premier of Western Australia, also briefly spoke.

Entertainment was provided by Mr Elton Hayes with his guitar.

PROFESSIONAL NOTICES

Mr SYDNEY CROUDSON, F.C.A., practising as MESSRS CROUDSON & CO, Chartered Accountants, at 1 Oxford Place, Leeds 1, announces that he has taken into partnership his two sons, Mr DAVID CROUDSON, B.COM., A.C.A., and Mr PAUL CROUDSON, A.C.A., together with Mr B. J. RANDERSON, A.C.A., all of whom have been associated with the practice for some years. It is also announced that Messrs DAVID and PAUL CROUDSON, together with Mr J. F. TAYLOR, F.C.A., who has also been associated with the firm for some years, have been admitted to partnership in CROUDSON & Co, of 7 St Michael Street, Malton.

MESSRS BOURNER, BULLOCK & Co, Chartered Accountants, of Stoke-on-Trent and St Austell (Cornwall), announce that they have opened an Exeter branch at Lloyds Bank Chambers, 234 High Street, Exeter.

MESSRS HERBERT GODKIN & Co, Chartered Accountants, of Leicester and Loughborough, announce that their senior partner, Mr J. N. GODKIN, F.C.A., has retired from the firm but continues to be available in a consultative capacity. Mr P. J. COONEY, A.C.A., who has been a member of the staff for a number of years, has been admitted to partnership.

MESSRS NEWMAN OGLE, BEVAN & Co, Chartered Accountants, of Spencer House, South Place, London, EC2, announce that Colonel W. H. BEVAN, F.C.A., who has been a partner in the firm for thirty-three years, has now retired, but will be available in the future in a consultative capacity.

MESSRS THOMAS MAY & Co, Chartered Accountants, of Allen House, Newarke Street, Leicester, announce that Mr W. D. MURPHY, F.C.A., retired from the partnership on April 30th, 1960, on taking an appointment as an executive director of the Fox's Glacier Mint group of companies.

MESSRS BEAL, YOUNG & BOOTH, Chartered Accountants, of 21 The Avenue, Southampton and 44b Market Street, Eastleigh, announce that as from May 1st, 1960, they have admitted into partnership Mr JOHN W. F. HOLMAN, A.C.A. The style of the firm remains unchanged.

MESSRS CASSLETON ELLIOTT & Co, and Messrs TURQUAND, YOUNGS & Co, announce that they have formed new partnerships in Nigeria and Ghana under the style of Messrs CASSLETON ELLIOTT & TURQUAND YOUNGS. Messrs CASSLETON ELLIOTT & Co, will continue their separate practices in West Africa.

MESSRS J. H. & P. J. WHITE, Chartered Accountants, of Swan House, 34-35 Queen Street, London, EC4, and Mr JAMES D. PEART, C.A., of Dominion House, 110 Fenchurch Street, London, EC3, announce that, as from April 1st, 1960, they have amalgamated their practices under the style of PEART, WHITE & Co. The combined practice will be conducted by Mr JAMES D. PEART, C.A., and Mr P. J. WHITE, A.C.A., with offices at Dominion House and Swan House. Mr J. H. WHITE, F.C.A., the founder of his firm, has retired from partnership, but is continuing in practice and will be available in a consultative capacity.

MESSRS MATTHEWS, BROOKE, TAYLOR & Co, Chartered Accountants, of 3 Wards End, Halifax, announce that Mr RONALD HAINSWORTH, F.C.A., was admitted into partnership as from April 1st, 1960.

MESSRS HOWARD, HOWES & Co, Chartered Accountants, of Norfolk House, Norfolk Street, Strand, London, WC2, announce that as from May 1st, 1960, they have admitted into partnership Mr WALTER M. HOFFMAN, A.C.A., who has been a member of their staff for a number of years. The style of the firm remains unchanged.

Appointments

Mr J. S. Chalmer, C.A., has been appointed a director of Remington Rand Ltd but continues as secretary and controller of the company; he has also been appointed a director of Remington Rand (Ireland) Ltd and secretary of Remington Rand (Holding) Ltd.

Mr D. J. Snoxhill, F.C.A., has been appointed secretary of Remington Electric Shaver Ltd.

Mr C. R. Newton, A.C.W.A., chief accountant, of Cockburns Ltd, Cardonald, Glasgow, has been appointed a director of the subsidiary company, Cockburns (Springs) Ltd, with effect from Monday, April 4th. Mr Newton retains his position as chief accountant with the parent company.

Mr John Mitchell, C.A., has been appointed a general manager of the Peninsular and Oriental Steam Navigation Co. Mr Mitchell will continue to hold the post of chief accountant, to which he was appointed in 1952.

OBITUARY

Russell Leslie Tillett, F.C.A.

It is with regret that we record the death, on April 28th at the age of 58, of Mr Russell L. Tillett, F.C.A., senior partner in the firm of Russell Tillett & Co, Chartered Accountants, of London.

Mr Tillett was admitted an Associate of the Institute in 1924, in which year he came to London from his home town of Lowestoft. He commenced to practise four years later and in 1939 was elected to fellowship of the Institute.

A well-known figure in company affairs in recent years, Mr Tillett held many directorships and was chairman of a number of companies.

SOCIAL SECURITY AGREEMENT WITH FEDERAL REPUBLIC OF GERMANY

Two social security agreements between the United Kingdom and the Federal Republic of Germany have now been signed.

The two agreements supersede agreements which were signed in London in December 1956, but not ratified on account of changes in German legislation. The agreements cover all the benefits provided by the United Kingdom schemes of National Insurance, Industrial Injuries Insurance and Family Allowances and the corresponding benefits in the Federal Republic of Germany and in Western Berlin. Certain benefits of each country will become payable to people who are resident in the other country. Many people resident in the United Kingdom who were insured in Germany before the Second World War will receive arrears of pension from May 1945.

A Protocol on health services provides that British workers who remain insured in the United Kingdom while they are employed in the Federal Republic, and certain groups of people drawing British benefits in the Federal Republic, will be entitled to become insured for medical treatment in the Federal Republic. The agreements will not come into force until they have been ratified.

IN PARLIAMENT

Wright, Hamer Textiles Ltd: Investigation

Mr RHODES asked the President of the Board of Trade if he has now considered the report¹ of the inspector appointed by his department to investigate the affairs of Messrs Wright, Hamer Textiles Ltd; and what action he proposes to take.

Mr MAUDLING: Yes. The company is in compulsory liquidation and I do not consider that there is any occasion for action by the Board of Trade in respect of any of the matters dealt with in the report.

Hansard, April 27th, 1960. Written Answers, col. 9.

CONFERENCE ON '1961 GOVERNMENT PENSION SCHEME'

A one-day conference on 'The 1961 Government Pension Scheme' is to be held at the Connaught Rooms, London, WC2, on May 24th, by the British Institute of Management.

The conference is designed to give employers an opportunity to meet and discuss the many factors involved before reaching a decision whether or not to contract out of the new State graduated pension scheme. The case history of the first company to contract out will be presented to the delegates by Mr S. R. Plant, administrative manager of Ind Coope Ltd. Mr A. Seldon, editorial advisor of the Institute of Economic Affairs, and Mr Gerald R. Moxon, industrial relations officer of United Glass Ltd and chairman of

¹ See *The Accountant*, April 16th, 1960, at page 459.

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REVALUATION OF ASSETS

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the B.I.M. Human Relations Advisory Committee, will also speak. Further details are obtainable from the British Institute of Management, 80 Fetter Lane, London, EC4.

NEW BUSINESS NAMES

During the year ended December 31st, 1959, there were 38,157 new registrations under the Registration of Business Names Act, 1916 (as amended by the Companies Act, 1947) and 9,935 names were removed from the Registers. The total remaining on the Registers at December 1959 was 794,138.

Four prosecutions were instituted during the year for non-compliance with the Act. A conviction was obtained in each case.

ACCOUNTANT SPEAKERS AT ENGINEERS' CONFERENCE

At the 1960 National Conference of the Engineering Industries' Association, to be held from May 12th to 14th at Scarborough, two members of the accountancy profession will be among the speakers. Mr A. R. English, F.C.A., adviser on taxation and accountancy matters to the Industrial and Commercial Finance Corporation Ltd, will speak on 'Finding money', while Mr H. H. Norcross, F.C.W.A., director of Norcross & Partners Ltd, will address the conference on 'Expanding capacity'.

GRIMSBY AND NORTH LINCOLNSHIRE CHARTERED ACCOUNTANTS

The annual report of the Grimsby and North Lincolnshire Branch of The Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants, presented at the annual meeting of the Branch, shows that membership at December 31st, 1959, numbered eighty-two.

Regular meetings were held each month and included a discussion on 'Surtax on companies and trawling companies' accounts', and a visit to the *Grimsby Evening Telegraph*. There was an attendance of 120 members and guests at the annual dinner held at *The Royal Hotel*, Grimsby, on December 19th last, when the company included the Rt. Hon. Viscount Crookshank, C.H., and Mr S. J. Pears, F.C.A., the Vice-President of the Institute.

The new officers and members of the committee elected at the annual meeting are as follows:

President: Mr A. A. Beardsall, F.C.A.
Chairman: Mr D. L. Stephenson, F.C.A.
Vice-Chairman: Mr W. McWilliam, F.C.A.
Hon. Treasurer: Mr A. Buckton, F.C.A.
Hon. Secretary: Mr W. S. Warrs, F.C.A.
Hon. Librarian: Mr G. D. Falconer, F.C.A.
Deputy Chairman: Mr L. S. Wrightson, F.C.A.
Hon. Auditor: Mr D. S. Garrs, F.C.A.
Committee: Messrs T. B. Campsie, F.C.A.; B. H. Edwards, F.C.A.; E. M. Fisher, F.C.A.; J. R. Gregory, F.C.A.; R. B. Heaton, F.C.A.; G. R. Smith, F.C.A.; R. A. Steele, A.C.A.
Ex officio: Messrs C. M. Strachan, O.B.E., F.C.A.; K. P. Helm, F.C.A.; N. Townend, F.C.A.

THE HULL, EAST YORKS. AND LINGS. SOCIETY OF CHARTERED ACCOUNTANTS

Mr R. H. R. Marshall, F.C.A., a partner in the firm of Forrester, Boyd & Co, Chartered Accountants, of Grimsby, has been elected President of The Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants for 1960-61.



Articled to the late Mr S. M. Forrester of Messrs Forrester & Forrester (now Forrester, Boyd & Co) of Grimsby, Mr Marshall was admitted an Associate of the Institute in 1926. He became a partner in the firm in 1933, and in 1939 was elected to fellowship of the Institute.

He was chairman of the Grimsby and North Lincolnshire Branch of the Society in 1955-56.

Outside his practice, Mr Marshall's interests include the secretaryship of Grimsby and Cleethorpes Rotary Club; he is also lay vice-chairman of St James's, Grimsby, parochial church council.

Other officers of the Society for 1960-61 are:

Senior Vice-President: Mr R. G. Slack, F.C.A.
Junior Vice-President: Mr A. MacDonald, F.C.A.
Hon. Treasurer: Mr H. G. Sergeant, F.C.A.
Joint Hon. Secretaries: Mr N. Townend, F.C.A. (General Committee), G. W. Townend & Co, Carlisle Chambers, Goole. Mr J. Reynolds, F.C.A. (Taxation and Research Committee), Goldie, Campbell & Robins, Bank Chambers, Lowgate, Hull.
Hon. Librarian: Mr G. M. Mowforth, A.C.A.

Report for 1959

The Society's thirty-third annual report for the year 1959 records a total membership at December 31st of 395, a reduction of twenty compared with the previous year's figure.

The monthly luncheon meetings, followed by short talks from guest speakers or from members of the Society, continued to be a feature of the Society's programme. The report states that a warm welcome is extended to all new members wishing to attend these meetings, as well as to those members who have as yet been unable to be present; the meetings are held at *The New Manchester Hotel*, George Street, Hull, usually on the first Monday of each month.

As noted in the adjoining column, membership of the Grimsby and North Lincolnshire Branch numbered eighty-two at the year-end. A number of meetings were held, and the annual dinner was well attended.

The Scarborough and District Group continued to have good support at its luncheon meetings which were held regularly during the winter months. At the first formal dinner of the group nearly sixty members and guests were present.

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**LIVERPOOL SOCIETY OF CHARTERED
ACCOUNTANTS****South Lancashire Branch**

At the annual general meeting of the South Lancashire Branch of the Liverpool Society of Chartered Accountants, held at the Masonic Hall, Warrington, the following officers were elected for the ensuing year:

Chairman: Mr J. W. Cook, M.A., LL.B., F.C.A.

Vice-Chairman: Mr E. S. Stanley, F.C.A.

Hon. Secretary: Mr B. S. Hardman, A.C.A., c/o Beecham Pharmaceuticals Ltd, Westfield Street, St Helens.

Hon. Treasurer: Mr S. Dobb, F.C.A.

The annual dinner was held later the same evening. The Branch Chairman, Mr J. W. Cook, M.A., LL.B., F.C.A., together with Mr W. L. Barrows, J.P., LL.D., F.C.A., a Past President of the Institute, received about one hundred members and guests.

During the evening the Chairman presented book prizes to two articled clerks, Mr R. G. Caldwell (Warrington) and Mr J. Kirby (Widnes), both of whom gained certificates of merit in the November Intermediate examination.

Chester and North Wales Branch

At the annual general meeting of the Chester and North Wales Branch of the Liverpool Society, the following officers for the year 1960-61 were elected:

Chairman: Mr T. Sarl-Williams, F.C.A.

Vice-Chairman: Mr G. R. Hargreaves, F.C.A.

Hon. Secretary: Mr P. G. Lane, A.C.A., 20 Nicholas Street, Chester.

Hon. Treasurer: Mr G. R. Hargreaves, F.C.A.

Hon. Auditor: Mr Frank Hack, F.C.A.

Messrs Hugh Aldred, M.A., F.C.A., E. Catherall, A.C.A., and T. Sarl-Williams, F.C.A., were re-elected to serve on the committee.

**CHARTERED ACCOUNTANTS' GOLFING
SOCIETY****Match v. Bar Golfing Society**

The Chartered Accountants' Golfing Society played its annual match against the Bar Golfing Society on the Woking course on April 9th.

The teams consisted of five pairs each and ten foursome matches were played. The result was a win for the Chartered Accountants by 9 matches to 1.

Match v. London Solicitors

The Society played its annual match against the London Solicitors at the Royal Ashdown Forest Course on April 24th. The weather was perfect, the course in excellent condition and the match was keenly contested in the usual friendly spirit.

The teams again consisted of five pairs each and ten foursome matches were played. The result was a win for the London Solicitors by 6½ matches to 3½.

The Wood Cup

The annual match between the Association of Scottish Chartered Accountants in London Golf Club and the Society for the Wood Cup was played at Denham Golf Club on April 28th. The contest consists of Stableford Foursomes competitions under handicap for morning and afternoon rounds and over thirty-six holes. The six best scores of both the Scottish and English Societies decide who shall hold the cup for the year. On this occasion 11 pairs turned out for Scotland and 17 pairs for England and Wales. The Scottish society regained possession of the Cup by 356 points to 341, the details being:

Scottish Association points

J. D. St. C. Harrison and D. A. B. Cunningham	66
J. A. M. Kinnear and P. M. Markham	60
Sir Alex. Sim and John Thomson	59
C. Murray and R. M. Hogg	58
Ian M. Whyte and H. A. Macdonald	57
D. W. Ness and M. C. MacLellan	56
	<hr/> 356

C.A.G. Society points

P. H. Blandy and A. M. Milling	63
D. W. Gibson and S. W. Penwill	59
J. H. Bradfield and P. Knight	57
A. W. Coleman and R. A. Daniel	57
E. H. Head and D. G. Richards	53
H. Lemmon and C. I. Steen	52
	<hr/> 341

Prize-winners (no pair could take more than one prize) were:

Thirty-six holes:

1. J. D. St. C. Harrison and D. A. B. Cunningham	66 points
2. P. H. Blandy and A. M. Milling	63 "

Morning round:

1. J. H. Bradfield and P. Knight	34 "
2. D. W. Gibson and S. W. Penwill	32 "

Afternoon round:

1. A. W. Coleman and R. A. Daniel (on best score over last 9 holes)	32 "
2. J. A. M. Kinnear and P. M. Markham	32 "

THE INSTITUTE OF INTERNAL AUDITORS**Birmingham Chapter**

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held at *The Cambridge Inn*, Cambridge Street, Birmingham, on Thursday, May 12th, at 6.30 p.m. preceded by tea at 6 p.m. The speaker will be Detective Chief Inspector Lashley, City of Birmingham Police.

The secretary of the Chapter is Mr G. T. L. Judson, Chief Internal Auditor, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

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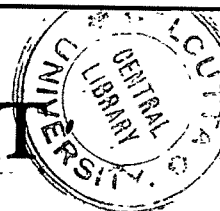
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The Changing Profession

THE world - and the accountancy profession with it - has advanced since those far-off Victorian days when, as the PRESIDENT put it in his address at the seventy-ninth annual meeting of The Institute of Chartered Accountants in England and Wales in London on Wednesday of last week, people were not anxious to be seen in the company of a chartered accountant because this might signify insolvency. Today the profession has indeed come into its own, and the company and services of its members are in constant demand. The expansion of industry and commerce, combined with the complexity of business affairs, has created new opportunities which accountants have not been slow to take legitimate advantage of, but with this broadening of horizons has come the realization that, as the PRESIDENT also pointed out, no longer can any one chartered accountant claim to be fully up to date and expert in all the work of the profession.

In many ways the transition from the general to the particular in the activities of the individual accountant is to be regretted, but if the reputation of the profession as a whole is to be maintained, then specialization is inevitable. No one thinks less of the skill of the surgeon because he operates on one part only of the human frame, or that of the barrister because he confines himself to one small section of the law.

One irritating outcome of concentrating on some particular aspect of accounting, however (as those who do it find), is that devolution of duty does not bring with it any lightening of the load of esoteric learning which the so-called specialist has to carry. Having set himself up as, or more likely having been deputed to become, an expert in this or that, he must make sure that he stays on the pedestal on to which he has either clambered or been hoisted. To do this entails continuous private study and reading which cannot always be achieved during even the elongated office hours he is accustomed to keep.

The PRESIDENT gives instances of the standards expected of the profession when he stresses the functions of the auditor in relation to the revolutionary development in the nature of business records during the past eighty years and the advice which members have to give to clients on problems in the relatively new sphere of management accounting. These and the many other calls upon his time and services are, to the modern accountant, a never-ending challenge which can only be met successfully by a combination of concentration and co-operation in the rightly balanced proportions.

The division and delegation of duties is an art which, if mastered, can give the busiest of men the appearance of having all the time in the world at their command.

THE FINANCE BILL

Post-cessation Receipts

CLAUSES 30-32 of the Finance Bill are designed, broadly speaking, to put the Inland Revenue in the same position *vis-à-vis* the taxpayer as they thought they were in when they fought the case of *Stainer's Executors v. Purchase* (30 A.T.C. 291).

Another object is to tax receipts from creditors where the debt has previously been written off as bad and the trade etc. has been discontinued.

Clause 30 divides the various bases of computation of profit into two broad classifications: computation 'by reference to earnings'; and computation by other methods. Profits in any period are to be treated as computed 'by reference to earnings' where they are computed

'by reference to the incomings, credits, outgoings and liabilities accruing during that period as a consequence of the carrying on of the trade, profession or vocation' (clause 30 (5)).

Clause 30 (1) provides that when a trade etc. chargeable under Case I or Case II has been permanently discontinued, tax is to be charged under Case VI in respect of any sums:

- (i) received after the discontinuance;
- (ii) to which clause 30 applies, viz.:
 - (a) where the profits for *any* period before the discontinuance were 'computed by reference to earnings', all such sums in so far as their value was not brought into account in computing the profits of that or any subsequent period;
 - (b) where the profits for any period before the discontinuance were *not* computed 'by reference to earnings', any sums which, if the profits had been computed 'by reference to earnings', would not have been brought into the computation for that period because the date on which they became due, or the date on which the amount due in respect of them was ascertained, fell after the discontinuance.

Clause 30 does not apply to:

- (a) sums (i) received by a non-resident (ii) which represent income arising directly or indirectly from territory outside the United Kingdom;

- (b) a lump sum paid to the personal representatives of the author of a literary, dramatic, musical or artistic work as consideration for the assignment by them, wholly or partially, of the copyright;

- (c) sums realized by the transfer of the closing stock of a trade or the closing work in progress of a profession or vocation (these are otherwise dealt with) (clause 30 (3));

- (d) sums received before April 6th, 1960 (clause 30 (6)).

Clause 30 (4) makes provision for deducting:

- (a) any loss, expense or debit incurred (not arising directly or indirectly from the discontinuance) which would have been deducted if the trade had not been discontinued; and

- (b) any capital allowance (under Part X or Part XI of the Income Tax Act, 1952) to which the trader was entitled immediately before the discontinuance and which has not already been allowed.

It is not easy to manipulate an actual 'permanent discontinuance' of a trade, so as to avoid tax by taking advantage of the *Stainer* principle. However, Section 19 of the Finance Act, 1953, requiring trades etc. to be treated as permanently discontinued when, in the curious language of the section, 'there is a change in the persons carrying on' the trade, has provided ample opportunities for avoidance, particularly to partnerships. Partnerships can engineer such a change as often as it suits them, by merely arranging for one partner, however junior and however minute his interest, to join or leave the partnership for a little while. Provided the parties do not elect for the 'continuing basis', the partnership before the change is treated as permanently discontinued, with all the advantages which follow.

Clause 32 (2) directs that clause 30 shall apply to the notional discontinuance as it applies to a real one, except that sums received by the persons carrying on the trade etc. after the change are to be treated as ordinary trading receipts to be brought into the computation of profits in the period of receipt.

Property Companies and Profits Tax

by ARTHUR REZ, B.COM., F.A.C.C.A.

THOSE who work in or pass through the City of London have witnessed, during the past few years, a vast transformation in that ancient centre of commerce and finance. No longer do they see those wide areas of devastation wrought by the great fires and bombardment of 1940 and 1941. Instead, there now tower huge structures—near skyscrapers, in fact—which, one hopes, make up for in utility what many of them lack in architectural merit. These buildings are largely intended to satisfy the pressure for office space generated by increased industrial and commercial activity, no less than by inflationary tendencies which are still simmering.

This rapid and extensive canalization of the nation's resources, encouraged in large part by the tremendous growth in the funds at the disposal of insurance companies, in the erection of office buildings, has not been confined to the City of London. Other parts of the metropolis, as well as other towns, have also attracted the attention of 'developers' who, in the expectation of being able to command profitable rents for the modern accommodation provided, have been prepared and even anxious to obtain access to plots of land where they could embark on this intensive investment and, in certain cases, somewhat speculative activity.

Even though it might appear that these huge blocks of concrete and glass have sprung up virtually overnight, in fact many months will have elapsed from the time the work commenced. During this period of building, the company developing the site may well have incurred considerable expense in the form of interest on loans and ground-rent before the investment can begin to produce revenue; and when it is realized that the cost of some of these buildings may be anything between £½ million and £1 million or more, the revenue outlay before income materializes can amount to a very substantial sum.

Tax Problems

The purpose of this article is not to examine the manner in which this revenue expenditure during the non-productive period should be treated in the company's accounts, but to draw attention to certain tax problems to which it gives rise.

Of course, if the developer is assessed as a property-dealing company there is no problem,

for the assessable profit will be the excess of the sale price over the cost of construction. Payments of loan interest and ground-rent under deduction of tax will for income tax be treated in the ordinary way as a part of the Case I, Schedule D assessment or under Section 170, Income Tax Act, 1952, and for profits tax the gross payments will be allowable deductions.

A problem which arises is when the developer retains the building as an investment, the company deriving its income from the rents. Here again, so far as income tax is concerned and assuming that during the construction period the company is not in receipt of any taxed income, the payments of loan interest and ground-rent will give rise to assessments under Section 170. After the building is let and income is received, such payments will normally be covered by the Schedule A and excess rents assessments, and no additional liability will arise. When, however, the position for profits tax is considered, the question arises whether the loan interest and ground-rent paid prior to the letting of the building are allowable deductions. Since, as already indicated, these sums may well amount to substantial figures, the profits tax liability can be affected to an important degree.

Case Law

In order to examine this question, it is first necessary to have regard to the principle that for profits tax a company is treated as if it is assessable to income tax Case I, Schedule D, as provided in the Fourth Schedule, paragraph 8, of the Finance Act, 1937, which states:

'The profits shall include all such income arising from the trade or business as is chargeable to income under Case I of Schedule D, or would be so chargeable if the profits of the trade or business were chargeable under that case.'

In view of this provision, the business of property investment must for profits tax purposes be treated on Case I principles, one of the first considerations being when the trade or business was first set up. Regard must, therefore, be had to the decided income tax cases on this point.

It is well known that expenditure incurred in the preliminary steps intended to lead to the process of manufacture, or the opening of a shop, is not allowed as a deduction from the profits, since the business is deemed, for income tax

purposes, to commence only on the date when the organization is complete and ready to commence the actual trading activities.

The case of *Birmingham and District Cattle By-products Ltd v. C.I.R.* (1 A.T.C. 345; 12 T.C. 92) decided that during the period when the factory was erected and the machinery installed the company was not trading, and that this commenced for income tax purposes only when the installation of the plant had been completed and raw materials for manufacture had begun to be received. The principle would therefore seem to rest on the fact that the business is deemed to commence not before the buildings and machinery and raw materials are available for operations to start. In the case of a retail shop, the date would be determined by when customers were invited, which would involve the display of stocks of goods. For farming and other agricultural pursuits, the business may be regarded as commencing when the land has been cleared, and trees and bushes planted, any expenditure thereafter on maintaining the soil and producing crops being of a revenue character (*Vallambrosa Rubber Co Ltd v. Farmer* (5 T.C. 529)).

Position of Investment Companies

It is obvious that the principle established can be applied more readily to trading operations, and the difficulty is, therefore, to determine when the business of a property investment company commences in the case of a new company incorporated for the purpose of engaging on the construction of a building. It would seem, judging from the principle laid down in the cases quoted, that not until the organization has reached the stage of being able to undertake its productive or revenue-producing activities can the business be said to have commenced. Therefore, analogous to the preliminary expenditure incurred in erecting a factory or opening a shop, the ground-rent and loan interest paid during the period of constructing a block of offices for investment would also not be allowable deductions for profits tax. Certainly, the Inland Revenue have been known to rely on this argument.

The provisions for rendering investment companies liable to profits tax, however, had been so phrased – presumably for the protection of the Revenue – that the lack of precision has actually proved to be an advantage to property development companies. Section 19 (4), Finance Act, 1937, which extended the liability to profits tax to investment companies, states:

'Where the functions of a company or society

incorporated by or under any enactment consist wholly or mainly in the holding of investments or other property, the holding of investments or property shall be deemed for the purpose of this section to be a business carried on by the company or society.'

Attention is directed to the fact that where the 'functions' of the company is to hold investments, it constitutes a business liable to profits tax. Thus the actual ownership of a revenue-producing asset is not a prerequisite. This leads to the question as to when the stage is reached in the activities of a company engaged on developing property, that its functions can be said to be the holding of investments. There is the view, held by the Inland Revenue, that this function does not commence until the building is completed and available for letting. If this were correct, all prior activities during the period of construction do not fulfil the function of holding an investment. The function of the company during this period may well be construed as that of erecting the building.

These doubts were examined very closely in the recent case of *Carpet Agencies Ltd v. C.I.R.* (37 A.T.C. 331; 38 T.C. 223), where the question at issue was the converse of the date of commencement of the business, being as to which was the company's last chargeable accounting period for profits tax. The company's trading operations had ceased and thereafter, having continued to hold investments, it was contended that dividends paid during that investment period could not be attributable to the last trading period, which the Inland Revenue asserted was the final chargeable accounting period, as the company's business had then ceased for profits tax. The company maintained, however, that the holding of investments was itself a business for the purposes of profits tax, as provided by Section 19 (4) of the Finance Act, 1937, so that, attributing the dividends to the investment period, a distribution charge would be avoided.

Although, then, it was held that the holding of investments was merely ancillary to the trading business and were held pending liquidation of the company, so that the business for profits tax ceased with the last trading period, this case is useful for the light shed on the application of Section 19 (4).

Meaning of 'Functions'

Regard was had to the important word 'functions', and in this connection Harman, J., quoted with approval the opinion of Atkinson, J., in the

case of *C.I.R. v. Buxton Palace Hotel Ltd* (27 A.T.C. 62; 29 T.C. 329), viz.:

'Now what is the meaning of the word "functions"? The dictionary definition is . . . "the activities appropriate to any business", so that it ought to read: "Where the 'activities appropriate to any business' . . . consist wholly or mainly in the holding of investments or other property . . ."

Fortified by this definition, therefore, it may be contended that so long as the activities of a company are the holding of investments or property the business has commenced for profits tax and all revenue expenses incurred are allowable deductions. The argument that the building erected by a property development company must first be available for letting is no longer tenable, for the essential point to be noted is that, as soon as the company acquires land, either freehold or on a building agreement, it fulfils the function mentioned above, as it is in possession of property. It can also be contended that an investment is held, since the bare land itself is capable of producing an income, no matter

how remote this possibility is; and land held under a building agreement may, subject to the provisions of the agreement, be sublet.

From the foregoing, it can be confidently maintained that, even though the real object of a property development company is the construction of a building for letting, its business for profits tax commences as soon as possession of land takes place; in consequence preliminary expenditure in the form of ground-rent and loan interest, as well as other revenue outlays, may be deducted for profits tax notwithstanding that its income first arises at some later date.

As building agreements usually contain protective clauses which might be construed as depriving the developer of any interest in the land until the building is completed, it would be advisable for companies engaged in these activities to insist on the insertion of a clause permitting subletting, even though this is not in contemplation, to obviate any doubt regarding the possession of the site, thus endowing the company with the functions mentioned in Section 19 (4), Finance Act, 1937.

Clients' Time Records

A MAJOR internal problem in all practising accountants' offices is the maintenance of accurate records of time spent on each clients' work. As the fee chargeable is based on the time spent, the importance of this matter cannot be overstressed.

The records to be maintained are voluminous, as it is necessary to record separately the time spent by each of the varying grades of staff. Moreover, in many cases each client's record must be further subdivided to ascertain the time spent on different jobs, such as audit, accountancy, taxation, and the like.

The method normally adopted is to maintain loose-leaf time ledgers, with a separate sheet for each client, or each section of each client's work, these records being written up from the time-sheets prepared daily though usually submitted at weekly intervals. In a firm employing a large number of staff, a considerable number of entries are involved and it is not difficult to appreciate that errors may arise, in which case it is almost impossible to account for all time spent unless a detailed check of all the postings is carried out.

Only in the case of a very few large firms can machine accounting be justified for this application, but in all other cases considerable advantages accrue from the adoption of suitable hand-written records such as the 'Multi-post' system. The basic principle is that all related records are compiled at a single entry, thus effecting a considerable economy of

clerical effort with the complete elimination of transcription errors. Furthermore, the forms are so designed that an arithmetical proof of accuracy is obtained after each posting run. The equipment required is both simple and inexpensive and does not require the services of a trained operator, as the existing clerical staff readily acquire the necessary knowledge after a few minutes' tuition. The Anson Mercury Recorder is eminently suitable for this application as it provides for the rapid alignment of the forms and the facility to maintain a convenient writing level in operation.

Illustrated is one of the two basic records required for this 'Multi-post' application, namely, the client's time ledger card which is used in conjunction with a combined proof sheet and fees journal.

The clients' time ledger cards, which are maintained in alphabetical order in a suitably indexed ledger posting tray, provide for the recording and analysis of time under each of the varying categories of staff employed. In the majority of cases the unit of time will be half an hour and the client's time ledger card provides a column on the extreme right for recording the total units of time spent to date, irrespective of category of staff.

A separate client's time ledger card will be maintained for each section of the client's work, namely, audit, accountancy, tax, special and statutory. These card titles are printed in the heading to indicate the type of work to which they refer and thus avoid

The actual size of this form is 10 ins. by $5\frac{3}{4}$ ins. and it is designed to be superimposed, for recording purposes, on the combined proof sheet and fees journal.

Punched Cards for Stockbrokers' Accounts

ALTHOUGH punched-card data processing equipment was used as long as thirty-five years ago by the stockbroking profession, there has been an understandable reluctance to depart from the more personal associations fostered by pen-and-ink methods of accounting.

Further, until recent years the minimum punched-card installation involved considerable capital outlay and so could only be justified in those firms having a very large number of bargains to handle. The introduction of 40-column equipment, however, which has all the facilities of the larger equipment, has brought the advantages of automatic processing within the reach of comparatively small firms.

The procedure, which is based on straightforward punched-card practice, employs a combination of 'pre-punching' and key-punching techniques and commences when the contract notes have been listed for dispatch to clients.

Three types of card are used: 'Jobber', 'Client' and 'Price' cards [two of which are reproduced, larger than actual size, on the following page]. As the names indicate, they are punched with information relating to different aspects of the bargains. Standing information, such as the name and code of the stock and of the jobber, is pre-punched and the cards set up in files. Variable information is punched in later.

Pre-punching is, of course, much faster than key-punching, and as each card is a true replica of a master, individual verification is unnecessary. It also eliminates the individual coding of contract notes for stock and jobber.

The first products from the cards are a checking sheet and journal; these are produced by the tabulator from the jobber and price cards, after they have been sorted into stock within jobber sequence. The sorting machine used for this operation runs at 40,000 cards per hour for each column to be sorted.

It has been suggested that copies of the checking sheets could be sent to jobbers for checking in their own offices, thus avoiding the work of checking at the House.

Clearing Bargains List

The mechanization procedure of the Settlement Department of the Stock Exchange requires the submission of a daily note of all clearing bargains in stock sequence. To facilitate this, a clearing stock master card file is set up.

The jobber cards are then sorted to stock sequence and, in conjunction with the master cards, passed through an interpolator. This machine extracts from the pack of jobber cards those corresponding to clearing bargains and these cards are then tabulated to produce the clearing bargains list.

At the same time as the list is being tabulated, the machine, which has a coupled summary-card punch, perforates a summary card which is used at the end of the account for transferring clearing bargains out of the jobbers' accounts into the clearing account.

Further cards are key-punched from adjustment slips for entries affecting cash-book, ledger or ticket accounts. These cards are listed out by the tabulator to produce the adjustment journal and to set up control figures.

Cards for amounts of cash received and paid are punched, and verified, from the data on cheque counterfoils and paying-in slips. After being sorted by the ledger number to which they are to be posted, they are interpolated mechanically with the balance cards for each bank brought forward from the previous day. The balance cards are an automatic product of the previous day's tabulating. The cards are then tabulated to produce the cash-book.

Clients' Ledger and Statement

For some clients a daily position must be maintained, but for others it may suffice to make the postings at the end of the account. The procedure for all, however, is basically the same.

The balance cards, automatically punched at each posting, are merged with the client, cash and adjustment cards; and if the orthodox type of ledger is required the combined pack is tabulated on to ledger account sheets.

A different practice, widely applied in the commercial world, uses a copy of the client's statement as the ledger sheet. It not only eliminates the posting operation but also reduces checking work, since ledger copy and statement are identical.

The statement requires the client's name and address, so cards for this information are punched once only and used repeatedly. They are merged with the detail cards (mentioned above) in one operation on the interpolator.

Simultaneously with the tabulation of either ledger sheets or statements, a coupled summary punch produces balance cards to be carried forward to the next period.

Clients' Holdings

Where holdings' records are necessary, the basic procedure consists of two files of cards which are kept continuously up-dated. These are known as the client holding file and the company file.

Firstly, the appropriate client and price cards are selected, and if a holding already exists, the corresponding card in the client holding file. They are then tabulated and at the same time a summary card is made. This is then interpreted and placed in

If a rights issue occurs, some calculating work may arise in up-dating the files; this is most economically done on an electronic calculator, which can be hired on an hourly basis if the amount of work does not justify installing a machine in the broker's own office.

Although the posting of the jobber's ledger is generally regarded as a daily task, it has been found in practice that if the list book (bought and sold list) is posted each day, it is quite sufficient to have the

There are several other operations involved, including the preparation of ticket accounts, client stock control, etc., which cannot be included in detail in the space here available. The requirements of all, however, have been satisfactorily met with 40-column card equipment.

149 PARK LANE, LONDON, W1.

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New Approach to E.D.P.

THE simplest and most direct way of processing accounting records completely is to perform, in logical sequence, all the relevant operations arising from one transaction before considering the next. For example, on receipt of an order for goods the customer's credit limit is examined, stock record is checked for availability, the goods are allocated, invoice and dispatch notes are printed and the customer's account and the stock record are posted.

This method of in-line processing is practicable, by conventional accounting methods, only for the relatively small business. As the volume and complexity of accounting records increase it is necessary to subdivide the work and to process operations of a like nature in batches, with the consequent, unavoidable delay in maintaining an up-to-date picture. The advent of punched-card data-processing equipment offered much greater speed over pen-and-ink methods without solving the problem inherent in this delay, but the introduction into the U.K. of the IBM 305 RAMAC computer now makes it possible to combine electronic speed with in-line accounting.

High Access Speed

This computer marks a new and revolutionary approach, based on the principle of immediate random access to a very large file made up of magnetic discs spinning at high speed which are the equivalent of ledgers. Each disc contains up to 2,000 records of 100 characters, giving a total of up to twenty million characters. Access to this information is by two read-write heads mounted on a pair of arms which move vertically to the appropriate disc, then radially to straddle the disc until the required record is reached, which may be on the upper or the lower side of the disc. The average access time to any one record is half a second, consequently a pre-sorted sequence of input cards is not required. It is this feature which makes possible the return to the ideal method of 'in-line' processing, any record may be interrogated from an inquiry station as easily as if it were an entry in a ledger, and once located, is automatically typed independently of further processing.

An in-line system is required to make many direct multi-choice decisions based on the current status of the information in the files. In the classical stored-programme computer method this has the disadvantage of introducing programme steps which do not contribute directly to the processing of a transaction. The unwieldiness of such programming is avoided in the RAMAC by referring all decisions from the stored programme to a wired control panel, as used in conventional IBM data-processing machines. Multi-choice decisions are made through a straight-forward selector network, in a single operating step,

and control is then returned to the stored programme.

The new system can best be illustrated by a brief study of typical accounting applications such as orders received from customers and receipt and adjustment of stock.

Processing Customers' Orders

The disc file contains master records for all stock items, customers and suppliers. Each hundred-character record has an address which is identified by the item catalogue number, customer number or supplier number. A capacity of 200,000 records means that the computer can hold, for example, all the details relevant to 120,000 customers and 40,000 items of inventory, and still have available 40,000 records for details of suppliers and of salesmen's commission, for special analyses and for personnel records.

On receipt of an order from a customer, an order card is key-punched, containing customer number, customer order reference, the stock record code number of the item ordered and the quantities. The number of order items which may be recorded in one card is only limited by the size of the catalogue number and quantities. There is no need for an individual card for each order item. During processing of the order card, the customer and stock records stored in the disc file are referred to for name and address and the description and availability of the item. As a result of invoicing, the customer, stock and statistical records are all up-dated in a single processing run.

Invoicing may be combined with the process of management by exception, by which, for instance, an invoice showing a balance in excess of the customer's credit limit will be automatically set aside for authorization before dispatch.

Similarly, should there be insufficient stocks of an item, a substitute item may be offered, both the original and the substitute being shown on the invoice, while an automatic 'out of stock' signal is typed out by the computer's console typewriter. 'Re-order' signals will also be typed out automatically when a stock falls below the re-order level.

At the end of processing one customer's order, a sales ledger card will be punched, showing customer number, invoice number, date, purchase tax, gross and net amounts due and the discount rate. This will be filed and subsequently used to produce statements.

Receipt of Stock

Receipt of stock is processed on similar lines with the same advantages of complete up-dating of all aspects of a transaction in a single operation. A stock receipt card is key-punched with the item number, order number and date, supplier account number,

unit cost and quantity ordered, and a code indicating acceptance or rejection. This type of card may also be used as a miscellaneous stock adjustment card.

Processing of stock receipt cards consists of updating stock and supplier records in the disc file and printing out a document showing the basic reference data and the current stock balance, with a note of any

discrepancy between quantities ordered and received. The programme can also provide for a warning signal to be typed out on the console typewriter if a significant change in unit cost, or other unusual circumstance is detected.

The RAMAC will be on demonstration at the Business Efficiency Exhibition.

Mechanized Cost Accounting

THE importance of having a comprehensive and detailed financial and cost accounting system has always been recognized by the Scottish firm of Bertrams Ltd, manufacturers of paper-making and ancillary machinery. Such a plan was evolved many years ago, the details being described in a book published in 1931¹, written by the firm's accountant at that time, Mr William Bell, a second edition of which was required in 1947. This provided a source of reference which did much to assist the wide recognition of the vital need for the fullest information to enable managements to plan for effectively competing in world markets.

Many of the units of equipment produced by the company are very large and costly, being designed to meet a definite set of specifications, and in many cases only one will be produced; although certain sections or sub-assemblies may be employed, perhaps with minor modifications, in other designs. Manufacturing costs must, of course, be closely related to estimates and when a piece of machinery is in process of manufacture, a close watch must be kept on the labour and material content of the job which may be in hand for many months.

The Basic System

The costing system was based on a complete follow through from the original specification sheets and schedules of material required in relation to each job, broken down by sub-assemblies under the general headings of labour and material and type of trade or department.

Dealing first with labour, workers' time-sheets were analysed into jobs and posted weekly into large bound ledgers, to sections representing the entire job, as well as each sub-assembly, under headings of trade to obtain a further analysis, in hours and labour, by cost centres. Overheads were introduced also at this stage.

Material costs were posted from suppliers' invoices if bought out, or from priced requisitions if drawn from stores or foundry, showing each item with weight and price. Upon completion all costs were aggregated to arrive at cost of each main section of a

machine and these in turn were assembled for the cost of the entire job. The whole costing system was linked with comprehensive financial accounts.

The Mechanized System

Due, however, to the complexity of control and the difficulty of balancing 'pen-and-ink' records as volume increased, the system became more and more difficult to work. Gradually parts of the system were dropped until it became but a ghost of the original. The great difficulty of obtaining and keeping suitable clerical staff made matters even worse; invoicing was delayed, and it became a problem to evaluate work in progress.

After very careful investigation it was decided to introduce a mechanized accounting system based on two Burroughs 'Sensimatic' accounting machines. The procedures which were evolved, in fact, retained all the basic advantages of the original concept and called for no major changes of principle. After introducing a new coding system of expense heads and department numbers, and establishing in the various departments the responsibility for the accuracy of the original documents, a mechanized cost ledger was set up based on a unit card for each job and section of a job. On these cards the machines furnish automatic balances of total hours, total labour cost, material cost, and total cost to date for each job or section of a job.

Labour posting is effected from a prepared summary of hours and labour, by job number, and postings are balanced at the end of each posting run and agreed with the payroll by cumulative totals stored by the accounting machines.

When posting materials costs, two cards are fed into the machine; the first shows the details of each item of material in the form of the original drawing office specification, the total only being transferred to the second main cost card, thus increasing the cumulative balances of material and total cost to date.

The cost cards are balanced completely and, as up-to-date cost details are now readily available, invoicing is carried out almost immediately.

Every month, cards covering jobs completed are extracted from the cost ledger trays from which a summary is made showing analysis of costs, profit and selling price. This monthly summary is used for

¹ *Cost and Financial Accounts and their Reconciliation*, by William Bell, A.C.W.A., F.I.A.C., A.I.A.A., Gee & Co (Publishers) Ltd.

comparing actual and estimated costs so that action may be taken in the future to avoid uneconomical production methods or to review the estimating procedure. The system has been extended to handle indirect labour and material, with control accounts for each department and cost centre.

A further development is to co-ordinate the work of the cost department with the planning department in the works. Each cost card is marked with the time allowance, and at an agreed point, if the job is not complete (when dispatched each card is marked with a 'D' in distinctive colour), a report is sent to the planning department requesting them to report if excess time will be required to complete the job.

The system is flexible and can be adapted to a standard cost control system with 'standards' debited into the summary cards; and as time and materials are expended these would be credited, reducing the standards to the final variance—either a profit or loss.

The cards now remaining after the completed jobs have been extracted represent work in progress, and when listed should agree with the balance in work in progress control account.

Financial Accounts

The accounting machines are also employed on financial accounting. The various records posted are: (1) sales ledger; (2) purchase ledger; (3) general ledger.

The sales ledger accounts are posted weekly from duplicate invoices, the new Burroughs method of side-by-side posting having been adopted. This operation posts both the statement and ledger card as original documents, obtaining a standard of neatness not possible under the old collated method. The general ledger allocation number is entered on the invoice so that allocation sheets can be prepared as

posting media for general ledger posting. This allocation is again divided by contracts and jobbing by home and export markets.

The purchase ledger is handled efficiently as the machines prepare the cheque, post the amount to the ledger and produce the cash outwards sheet, all in one operation. This sheet is approved at a board meeting prior to the posting of cheques to suppliers.

General ledger allocation numbers are entered on purchase invoices in the same manner as for sales, so that a summary can be made on a purchases allocation sheet to form the media for posting to general ledger accounts.

General ledger accounts are posted from the previous allocation sheets, cash-books, stores control accounts, etc., and the ledger is coded to facilitate the compilation of final accounts. In each of the postings mentioned, the operator selects the correct programme on the machine by a simple quarter-turn of the job selector knob, and as ledger cards etc. have been carefully aligned to common limits, the moving of form guides is reduced to a minimum. All these time-saving features ensure that all work is carried out as required by the two machines and at no time is management kept waiting for vital information.

Payroll

The payroll is prepared on Thursday of each week. The machines are set to post the payroll sheet, earnings record card, payslip, and wages envelope at one operation, the machine functions being set automatically to accumulate and total the various columns required. The payroll is posted from time cards which show the man's rate and his hours worked. These are extended and checked on a Burroughs calculating machine before posting.

Once again the 'Sensimatic' machine has proved a real time-saver over the machines previously employed on this job and considerable savings in stationery costs have been possible by the introduction of the individual payslip as against the previous tear-off type.

Advantages of the Mechanized System

Previously four experienced ledger clerks were required. Now, cost accounting, financial accounting and payroll are handled by only two operators with two 'Sensimatic' accounting machines, the machines being switched from one job to another by a mere turn of a job selector knob.

A great deal of copying and re-copying has been eliminated by the re-design of forms and the new procedures, enabling clerical labour to be diverted to more profitable duties.

The production of periodic management reports and final accounts is greatly speeded and simplified so ensuring they are available in good time to enable important decisions to be taken which are vital to successful operations.



Mr W. S. McDonald, F.C.W.A., accountant at Bertrams Ltd, of Edinburgh, watches work proceeding on the machines referred to in this article.

Weekly Notes

Business Efficiency Exhibition

EVERY year since the Second World War the National Business Efficiency Exhibition organized by the Office Appliance and Business Equipment Trades Association has set up new export records. This year there is a fresh record to be noted even before the forty-seventh exhibition opens next Monday at the Bingley Hall, Birmingham, for the exhibition will be the largest ever to take place in an English provincial city. The hall affords about 45,000 square feet of display area which will be filled with the stands of 105 firms having factories all over Britain, and some of them manufacturing abroad also. The speed of modern life increases perceptibly year by year but the continuing improvement of established mechanical aids and the many inventions continually appearing on the market give the business man no excuse for lagging behind. Nor do the manufacturers forget that there are space problems in the office that can be solved without launching satellites and that professional men have their own equipment requirements. It becomes increasingly apparent that expert knowledge and personal efficiency are not enough without the use of the appropriate modern methods of speeding up the inevitable routine clerical work. One aim of the exhibition is to introduce the practitioner to the wide choice of machines and methods available.

This issue contains several articles which present specific applications of different types of equipment, as well as a review of some of the vast number of exhibits which will be on view at Birmingham.

Post-war Credits

IN his Budget speech the Chancellor of the Exchequer promised that there would be a further widening of the scope of immediate payments of post-war credits by an extension of the hardship categories. The necessary statutory instrument has now been published and, as announced in these columns when the draft regulations were noted, is to come into force next Monday.¹

Details of the new classes who are to qualify, appeared in our issue of April 9th, at page 429.

The way in which the Chancellor announced these categories made it seem that in arriving at the twenty-six weeks one could not combine sickness and unemployment; however, Regulation 3 (2) makes it clear that such periods may in fact be so combined.

¹ *The Post-war Credit (Income Tax) Amendment Regulations, 1960.* (S.I. 1960 No. 769.) H.M.S.O. 4d.

The Irish Institute's New President

MR GEORGE EDMUND CAMERON, F.C.A., a partner in the firm of Wright, Fitzsimons & Cameron, Chartered Accountants, of Belfast, was elected President of The Institute of Chartered Accountants in Ireland at the Institute's annual meeting held in Dublin last Saturday.



Mr G. E. Cameron

Mr Cameron, who served under articles with the late Mr W. H. Fitzsimons, of Belfast, obtained first place with honours in the Final examination held in November 1933 and was awarded the Institute's gold medal. He was admitted to mem-

bership of the Institute in 1934, subsequently becoming a partner in the firm of Wright, Fitzsimons & Mayes, and was elected to fellowship in 1942.

A past chairman of the Belfast Society of Chartered Accountants, Mr Cameron was co-opted to the Council of the Institute in February 1955 and was elected Vice-President at the annual meeting in 1959. He was a member of the Committee on Company Law Amendment appointed by the Minister of Commerce for Northern Ireland.

He is a keen golfer, being a member of Royal County Down and Malone, and is a former captain of Malone Rugby Football Club.

The new Vice-President of the Institute is Mr Alfred Ernest Dawson, F.C.A., a partner in the firm of John Sedgwick & Co, Chartered Accountants, of Dublin.

New Code for Take-over Bidders

THE Board of Trade has published new draft rules under the Prevention of Fraud (Investments) Act, 1958, governing the conduct of licensed dealers in securities. They replace the rules made twenty years ago under the 1939 Act, but are not confined, like the old rules, to offers of securities for sale and provisions about dealers' records; they are just as much concerned with offers to buy securities, particularly where the offer constitutes a take-over bid. They require a licensed dealer to give a great deal of information to the offeree, in particular as to the steps which have been taken to check whether the buyer is able to meet his obligations, and whether directors of the company are to receive compensation for loss of office, to mention only two matters of considerable topical interest. Although the rules apply only to licensed dealers, the Board of Trade have announced that they expect the principles underlying the take-over bid requirements to be observed by all persons whose business involves dealing in securities.

The Board also point out that the Jenkins Committee on Company Law have included in their questionnaire the subject of take-over bids and of the controls of dealers in securities. They draw the inference that this committee may be expected to make recommendations in this field in due course. In the meantime, say the Board of Trade, that department has its responsibilities under the Prevention of Fraud (Investments) Act to fulfil.

The draft rules may be inspected at the Board of Trade Library, Horse Guards Avenue, London, SW1, or at any regional office of the Board of Trade during ordinary office hours until June 1st, 1960. Copies may be obtained from these places, or from H.M. Stationery Office at 6d a copy (8d by post).

To Contract In or Out?

IT is a welcome change to read a booklet about contracting in or out of the National Insurance Act, 1959, which is simple. That is the first reaction to reading *State Revisions: Should You Contract Out?*¹ just issued by The Institute of Directors.

The varying decisions and tentative decisions so far announced must be bewildering to the smaller employer who has no expert adviser on his staff: I.C.I. and Unilever contracting in; Ind Coope and parts of the Civil Service contracting out; a recommendation for some employees of local authorities to be contracted out. Nearly a thousand applications from employers have been received by the Registrar

¹ The Institute of Directors, 10 Belgrave Square, London, SW1, price 2s 6d.

of Non-participating Employments for contracting out certificates, and the queue grows daily. What will be the length of the queue by the autumn?

It behoves the experts – life offices, brokers, consulting actuaries and accountants – to advise their clients to make a speedy decision, and this is one point the Institute of Directors' booklet stresses because, as it rightly says: 'Only the individual employer knows how the decision will affect his firm and his employees.'

While the booklet is simple, it does not pretend to answer the question it poses – clearly it could not. It suggests that one reason for the passing of the 1959 Act – which comes into operation next April – was that occupational pension schemes were spreading too slowly. Nevertheless, it also estimates that some 75 per cent of salaried men are now so covered by insured and privately-administered funds. The percentages estimated for others are 45 for wage-paid men, 40 for salaried women, and 25 for wage-paid women.

Approved Superannuation Funds

WHEN the Board of Inland Revenue have been asked to approve a pension fund under Section 379 of the Income Tax Act, 1952, they have for several years stipulated that, where the fund is contributory, i.e. where the employees contribute towards their pension, then no pension should exceed £2,000 per annum. They have now announced that this limit is to be raised to £3,000.

This is My Life . . .

by An Industrious Accountant

CHAPTER 24

THERE was a brief battle of wills this week between the two strong men in our organization who have been manoeuvring delicately for power, behind the scenes, for some time past. They are our managing director, representing modern ability, and our deputy-chairman, representing old-fashioned privilege. Unfortunately, I was the cause of the trouble.

It started when I was entering the customers' credit accounts section of the office, where we have some four thousand ledger accounts ranging from the trivial to the highly important. The bulk of our retail sales are on a cash basis, but the long-standing credit accounts are a most valuable feature of our business. An unwritten law forbids jeopardizing a good account, except as a last resort. I watch the balances fairly regularly, as the assessment of credit and allowances are one of my functions as final arbiter.

My office manager and my departmental accountant

were coming out at a brisk pace as I went in, and they whispered something urgently, but I failed to catch the sense of it. I went on towards the counter and there, paying her bill, was that wealthy dowager whom we know as Lady Macbeth. Like a dutiful executive I approached to pay my respects. No instinct warned me of disaster.

The young ledger-clerk had a hunted look as he fumbled with her cheque while she turned to me graciously. 'Sir, Lady Macbeth is settling her account . . . the carpet department clearance sale. . . .' He appealed huskily for help. 'She's taking off 10 per cent discount.'

His remark trailed off into ominous silence. I could see that the account was over six months old; I remembered that these carpets had been cleared at bargain rock-bottom prices, strictly net; I knew that Lady M. had a record of successfully demanding outrageous concessions for years past. But our terms were crystal-clear; this was just a try-on. It was time to make a stand.

At the back of my mind a voice was screaming to me not to force the issue, to avoid trouble, to delegate the problem quick. But my two subordinates had ducked out smartly. Too late to delegate . . . better say I'd look into the matter, tomorrow. . . . At that

moment Lady Macbeth decided with brazen assurance to ride us down and the die was cast. 'I have no intention of discussing the matter further. I have taken the proper discount and am not prepared to haggle with your clerks. Good day.'

All around us the heads bent over their desks were listening to every word; I could not let her carry it off thus. I tried to contradict courteously but firmly but she only brooked a couple of exchanges. With blazing eyes: 'I will tell your chairman of your impertinence; my account here is now closed for good.' She was gone. The listeners breathed apprehensively again and the ledger clerk was perspiring heavily.

There was no point in delaying the bad news, so I poured out my story in the boardroom to the deputy-chairman and the managing director. The former reacted truculently at once. 'Serious mistake

... very valuable account ... influential customer ... letter of apology at once ... allow the discount.'

Not so our M.D. He cut in with careful deliberation. 'Far too many favoured customers getting special allowances ... nothing but trouble and expense ... time we made a stand and insisted on strict observance of our terms.' His colleague took him up sharply and for a moment there was real anger in the exchanges before they disengaged coldly with a decision to reconsider the matter on the morrow.

It will call for tactful handling by the chairman when he arbitrates. I must see that he takes the diplomatic step of deciding - regretfully, of course - to support the action of a trusted executive. But I must be careful not to be the cause of arousing their enmity again, remembering Hamlet's old warning: 'Tis dangerous when the baser nature comes between the pass and fell incensed points of mighty opposites.'

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Maden & Ireland Case

SIR, - I was very interested to read the comments made by Mr E. C. Meade under the paragraph headed 'Investment allowance', in your issue of April 16th.

In an earlier article on the *Maden & Ireland* case published on March 12th, it was implied that there could be claimed not only the investment allowance of 20 per cent but also the initial allowance of 10 per cent making with the allowable expenditure charged to revenue a total relief of 130 per cent.

Mr Meade makes no reference to the initial allowance and I would be grateful to hear his views on the possibility of claiming that allowance.

Yours faithfully,

Sale.

H. K. GREAVES.

[Mr E. C. Meade writes: In *Hinton v. Maden & Ireland Ltd* the company's claim for investment allowances related to expenditure incurred between April 7th, 1954, and October 31st, 1954, and consequently a claim for initial allowances was precluded by virtue of Section 16 (9) of the Finance Act, 1954. With regard to expenditure incurred after April 7th, 1959, no initial allowance can be claimed on capital expenditure which is allowed as a deduction in computing profits on the renewals basis because of the express prohibition contained in Section 330 of the Income Tax Act, 1952. Section 330, however, does not rule out a claim for investment allowances as such a claim is expressly provided for in Section 16 (3) (c) of the Finance Act,

1954. The position with regard to the renewals basis can therefore be summarized as follows:

- (1) Expenditure on a new asset that does not replace an existing asset now qualifies for both an investment and an initial allowance.
- (2) Expenditure on an asset that replaces an asset previously employed in the business qualifies for an investment allowance but does not qualify for an initial allowance. If, however, the new asset when compared with the old represents an improvement, the expenditure referable to the improvement element is not allowed as a deduction in computing profits and therefore qualifies for an initial allowance.]

Assessment on Amateur Operatic Society

SIR, - I shall be glad if any of your readers can let me know if they have had any experience of H.M. Inspector of Taxes seeking to assess a small amateur operatic society, and what action was taken.

The society in question is of the ordinary nature, and puts on two public shows a year at the local theatre. Any profits in the past on these shows have been mainly given to local charities.

In addition to the proceeds from the two productions, the society's income consists of members' subscriptions and amounts received from patrons. Against this income there are charged the usual expenses of running the society, e.g. printing, stationery, hire of rehearsal rooms, etc.

The accounts of the society for the past year as a whole show a loss, but the two productions by themselves show a small profit.

The society has been in existence for many years, and there has never been any question of an assessment to income tax, but recently there has been a change of Inspector, and he proposed to assess the profit on the two shows!

Yours faithfully,

PROVINCIAL.

Finance and Commerce

From Jamaica

TO Mr G. M. Richardson, F.C.A., secretary of The Jamaica Telephone Co Ltd, thanks are due for the accounts of his company which he has sent from Kingston, Jamaica, where the registered office is situated. The accounts are reprinted this week.

Jamaica Telephone is one of the overseas telephone services which have been developed from this country under the wing of Telephone & General Trust Ltd and its chairman for many years, Sir Alexander Roger. Another notable instance of the Trust's development work is the Portuguese telephone service. Telephone & General Trust still continues to support financially the Jamaica company by way of day to day temporary unsecured loans. It was also instrumental in bringing the company's shares to the London Stock Exchange. A block of 200,000 shares was placed on the London market last November when a quotation was granted for the issued ordinary capital of 1,875,000 shares.

Mr Richardson tells us that the 1959 report was designed with the English investor in mind and draws attention to the illustrations which help to give an idea of the industrial, financial and residential development of the island.

Background

The form of the accounts can be seen in the reprint and is easy to follow. One part, however, needs some background detail of the company's special circumstances. This is the 'Statement of excess and deficiency showing amount by which actual earnings fall short of permissible earnings under the licences'.

The background to the statement is given in the report and runs as follows: 'Under the telephone licences the company is entitled to earn in each year 8 per cent on the total value of the undertaking as defined in the licences. Any deficiency in earnings may be carried forward to subsequent years for recovery.'

'A Supreme Court decision in 1956 provided that the balance of the deficiency account up to December 31st, 1954, should be recovered over six years from January 1st, 1957. The deficiencies for the years 1955 and 1956 were written off by agreement with the Government.'

'The following is a statement showing the earnings of the company for 1959, together with the

balances on the old and new accumulated deficiency accounts.'

Industrial Holdings

GRAMPIAN Holdings Ltd, whose 1959 accounts have just been published, is one of those holding companies with widely diversified interests which has recently come to the fore. It covers Lanarkshire Bolt (Holdings) Ltd, Fleming Brothers (Structural Engineers) Ltd, Revel Industrial Products Ltd, which is in the furniture industry, Macdonald's Tweeds Ltd, and Kego Electric Co Ltd. The group has been put together in less than two years.

None of the constituent companies are public concerns - except, of course, that they are now part of a large public family. Membership of the Grampian group, however, has eased surtax and death duty problems and provided services beyond the resources of the private business alone. One of them is a laboratory research department. The group company also maintains specialists in cost accounting and in streamlining production.

One very good point in the Grampian Holdings accounts is the way in which each separate constituent business is projected before the members of the public company. Two pages of description, with pictures, is given to each business, with a statement from the chairman of each of the constituent companies.

In the building of such a group, however, there is the difficulty of presenting what may be called a 'typical year' owing to the varying dates at which the businesses have been taken over.

In this case, the group trading profit, income from dividends (gross), and depreciation on fixed assets for the year have been arrived at, where necessary, by apportioning on a time basis accounts of subsidiary companies for periods other than the twelve months to December 31st, 1959, at which date accounts for all companies in the group have been prepared.

New Form

A NEW form of account presentation has been adopted this year by Low & Bonar Ltd. 'We have made the change', Mr H. V. Bonar tells stockholders in his statement, 'both so as to fall into line with more up-to-date accounting practice and because we feel that in the new form they throw up to stockholders the basic information which they require in a clearer and more easily readable form.'

'The layman', he continues, 'can now get his broad picture of the group's progress more quickly, while the expert - by delving into the notes - can get every bit as much information as has in the past been available to him.'

The layout has been re-cast in columnar style and some minor figures in the group profit and loss

SHARE CAPITAL	Authorised & Issued	1959	1958
54% First Cumulative Preference Shares of £1 each	100,000	£ 100,000	£ 100,000
6% First Cumulative Preference Shares of £1 each	200,000	200,000	200,000
Ordinary Shares of £1 each	1,875,000	1,475,000	1,475,000
		2,175,000	1,775,000
RESERVE			
Balance at 31st December 1958	30,476		
Less: Expenses of Share Issue	15,725		
Proportion of Debenture Stock Discount	14,751		
	30,476	—	30,476
REVENUE RESERVES AND SURPLUS			
Contingencies Reserve	60,000		40,000
Revenue & Expenditure Account—			
Unappropriated Balance	160,979		142,177
	220,979		
	2,395,979		1,987,653
DEBENTURES			
5% Registered First Mortgage Debentures 1956/68	200,000		200,000
5% Registered First Mortgage Debenture Stock 1960/70	200,000		200,000
6% Registered First Mortgage Debenture Stock 1966/78	400,000		400,000
		800,000	
CURRENT LIABILITIES AND PROVISIONS			
Debenture Interest Accrued	7,333		7,333
Telephone and General Trust Limited Temporary Loan Account	535,452		322,584
Creditors	236,496		319,892
Dividends on 5½% and 6% Preference Shares for half year to 31st December, 1959 payable 1st January, 1960	8,750		8,750
Proposed Final Dividend of 6% on Ordinary Shares	112,500		88,500
		900,531	

NOTE: The value of the Capital Commitments at 31st December, 1959 is estimated to be £496,000

FIXED ASSETS	1959	1958
Land, Buildings, Plant, Transport and other Equipment at Valuation under the Licences and purchase price of Government Telephone System as at 16th September, 1945	306,130	£ 306,130
Additions and Improvements		
Additions to 31st December, 1958 at cost	3,592,278	
Additions for 12 months to 31st December, 1959 at cost	744,518	
	4,336,796	
	4,642,926	
Displacements		
Retirements to 31st December, 1958	207,763	
Retirements for 12 months to 31st December, 1959	45,415	
	253,178	
Less: Provision for Depreciation	4,389,748	3,690,645
	789,083	659,814
Net Value under Licences	3,600,665	3,030,831
NOTE: Certificates of Title have not yet been obtained in respect of certain properties purchased by the Company.		
CURRENT ASSETS		
Materials and Supplies at or under cost	332,836	330,443
Debtors	134,948	128,103
Cash at Bank and in hand	28,061	24,002
Debenture Stock Discount less Proportion written off	495,845	21,333

On Behalf of the Board,

F. W. HARRIS
ROBERT B. BARKER } Directors

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Audit. In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books. We have examined the above Balance Sheet and annexed Revenue and Expenditure Account which are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given us the said accounts give the information required by the United Kingdom Companies Act 1948 in the manner so required and the Balance Sheet gives a true and fair view of the state of the Company's affairs as at 31st December, 1959, and the Revenue and Expenditure Account gives a true and fair view of the profit for the year ended on that date.

KINGSTON, JAMAICA. WOOD, COSTA & HARTY.
22nd February, 1960. Chartered Accountants.

May 14th, 1960

THE
ACCOUNTANT

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REVENUE AND EXPENDITURE ACCOUNT FOR
YEAR ENDED 31st DECEMBER, 1959

REVENUE	1959	1958
Telephone Rentals and Installation Fees	£ 674,717	£ 572,151
Trunk and Call Charges	196,907	170,897
Radiotelephone Service	15,848	12,800
Other Income	50,321	23,312
	<u>937,793</u>	<u>779,160</u>
EXPENDITURE		
Operating and Management Expenses	460,643	401,365
Directors' Remuneration:—		
Fees	5,375	5,344
Other emoluments	—	958
Auditors' Remuneration	639	600
Depreciation on Fixed Assets	165,801	145,920
Temporary Loan Interest	29,701	14,725
Debenture Interest	44,000	34,135
	<u>706,159</u>	<u>603,047</u>
Surplus carried to Appropriation Account	231,634	176,113
	<u>142,177</u>	<u>129,117</u>
APPROPRIATION ACCOUNT		
Balance brought forward, 1st January 1959	231,634	176,113
Add: Surplus for year brought down..	—	305,230
	<u>373,811</u>	<u>305,230</u>
Deduct: Transfer to Contingencies Reserve	20,000	—
Debenture Stock Discount—Balance written off	6,582	10,667
Proportion of Rates Case Expenses written off	—	2,136
Dividends for year ended 31st December 1959 paid without deduction of Income Tax:—		
Preference Dividends for one year	17,500	17,500
Interim Dividend of 3% on 1,875,000	—	—
(1958—1,475,000) Ordinary Shares	56,250	44,250
Proposed Final Dividend of 6% Gross on 1,875,000 (1958—1,475,000) Ordinary Shares	112,500	88,500
	<u>212,832</u>	<u>163,053</u>
Balance carried forward per Balance Sheet	£160,979	£142,177

STATEMENT OF EXCESS AND DEFICIENCY SHOWING AMOUNT BY
WHICH ACTUAL EARNINGS FALL SHORT OF PERMISSIBLE EARNINGS
UNDER THE LICENCES

	£
Net Value under Licences per Balance Sheet at 31st December 1959	3,600,665
Add: Stores, Tools, Materials, Spares, etc., Limited to 7½% of above	270,050
Cash in hand	28,061
Total Value of Undertaking under Licences at 31st December 1959	<u>3,898,776</u>
Permissible Return of 8% on above	311,902
Add: ¼th Accumulated Deficiency at 31/12/54 recoverable over 6 years under Court Order	62,151
	<u>374,053</u>
Of this amount the Company earned during the year	£231,634
To which must be added items of expenditure which must be excluded in calculating Return, namely:—	
Debenture Interest	44,000
Proportion of Temporary Loan Interest	22,701
Deficiency in Permissible Earnings 1959	<u>75,718</u>
Percentage of earnings:—	7.65%
i.e. £298,335 on £3,898,776	
Old Accumulated Deficiency Account up to 31st December 1954:—	
Balance unrecovered at 31/12/58	248,602
Less ¼th recovered in 1959	62,151
	<u>186,451</u>
Balance carried forward	—
New Accumulated Deficiency Account as from 1st January 1957:—	
Balance at 31/12/58	£171,648
Deficiency for the year 1959 (as above)	75,718
	<u>247,366</u>
Total Accumulated Deficiency in Permissible Earnings	<u>£433,817</u>

account have been amalgamated in arriving at the manufacturing and trading profit. A separate profit and loss account for the parent company has been dropped in order to concentrate attention on the group position.

What is missing in the accounts is a break-down of earnings between the various divisions of the group. A group that covers jute spinning and weaving, bag sewing and merchandising, flax spinning and weaving, transparent packaging, electrical engineering and substantial interests overseas could with advantage give some closer indication of the source of earnings than a global figure for 'manufacturing and trading profit'.

Quite Unique

THE new form used in the accounts of The National Mutual Life Assurance Society, which was the subject of comment in this column on April 23rd, brings a reminder from Mr M. H. Oram, the

Society's actuary and manager, that in quoting its securities at middle market prices in its accounts the Society 'is quite unique', and, in fact, has been for some years.

All other offices, Mr Oram points out, quote their securities at middle market prices or under, which results in a substantial under-valuation of ordinary shares. The National Mutual embarked on its present course at the time when Lord Keynes – or Mr Maynard Keynes as he was then – was the Society's chairman between the two wars.

'It is a step that we have never regretted,' Mr Oram writes, 'and feel that a more exact revelation to our members of the Society's position is their right.' And that, of course, is how the modern style of company accounts has developed – by enlightened company directors deciding that shareholders – or members in a mutual society's case – have a right to the fullest and most accurate information. In this particular instance, however, a pioneering decision does not appear to have become generally accepted.

CITY NOTES

POLITICAL as well as economic uncertainties are now pressing down on the stock-markets. Mr Krushchev, having been dealt a masterly hand, will dominate the Summit Conference poker game. Fears of further credit measures, however, are still the basic influence in the market and, although it is recognized that no moves are likely until it can be seen whether or not the present measures can do their job, uncertainty on the point is still holding business in check.

For the statisticians the fall of well over 10 per cent in equity prices from the New Year peak has indicated a definite change in trend. It is held that the fall now indicates a 'bear market'. And yet the industrial outlook appears encouraging. New orders in the capital goods sector of industry are buoyant and Col. C. W. Clark, chairman of the Alfred Herbert machine tool organization, has stated that his group's main problem now is to raise production levels quickly enough to meet pressing demand.

Most industrial company results are well up to optimistic market expectations and in many cases past-year figures are accompanied by a confident appraisal of current year prospects. Although the market statisticians would have it otherwise, there is reasonable ground for the assumption that the current setback is more in the nature of an adjustment in values following an unwarranted advance to precarious peaks, rather than a setback suggesting industrial recession ahead.

Meanwhile the pressure of new issues continues to mount and this week has seen the first colonial offer (by Jamaica) for over a year.

RATES AND PRICES

Closing prices, Wednesday, May 11th, 1960

Tax Reserve Certificates: interest rates (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Mar. 4	£4 10s 9.34d%	April 8	£4 12s 11.83d%
Mar. 11	£4 11s 8.32d%	April 15	£4 13s 1.10d%
Mar. 18	£4 12s 3.52d%	April 22	£4 13s 0.88d%
Mar. 25	£4 12s 5.03d%	April 29	£4 13s 0.48d%
April 1	£4 12s 5.05d%	May 6	£4 13s 4.70d%

Money Rates

Day to day	3-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80½-½	Frankfurt	11.70½-½
Montreal	2.72½-½	Milan	1742½-½
Amsterdam	10.58½-½	Oslo	20.02½-½
Brussels	139.92½-93½	Paris	13.75½-½
Copenhagen	19.38½-½	Zürich	12.14½-½

Gilt-edged

Consols 2½%	47½	Funding 4% 60-90	90½
Consols 4%	71½	Savings 2½% 64-67	83½
War Loan 3½%	62½xd	Savings 3% 55-65	90½
Conversion 3½%	62½	Savings 3% 60-70	80½
Conversion 3½% 1969	86½	Savings 3% 65-75	74½
Exchequer 5½% 1966	101½	Treasury 2½%	46½
Funding 3% 66-68	83½	Treasury 3½% 77-80	74½xd
Funding 3% 59-69	82½	Treasury 3½% 79-81	74½
Funding 3½% 99-04	69½	Victory 4%	94½

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SEVENTY-NINTH ANNUAL MEETING

The seventy-ninth annual meeting of The Institute of Chartered Accountants in England and Wales was held on May 4th, at the Hall of the Chartered Insurance Institute, Aldermansbury, London, EC2. The President, Mr C. U. Peat, M.C., M.A., F.C.A., was in the chair.

The President was accompanied on the platform by Mr S. J. Pears, F.C.A., the Vice-President; Mr W. L. Barrows, LL.D., F.C.A.; Sir William Carrington, F.C.A.; Mr D. V. House, F.C.A.; Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.F., D.L., F.C.A.; Mr W. H. Lawson, C.B.E., B.A., F.C.A., and Sir Thomas Robson, M.B.E., B.A., F.C.A., Past Presidents; Mr A. S. MacIver, C.B.E., M.C., B.A., Secretary; Mr F. M. Wilkinson, F.C.A., Deputy Secretary; Mr C. H. S. Loveday, F.C.A., Mr W. M. Allen, B.A., and Mr C. A. Evan-Jones, M.B.E., Under Secretaries.

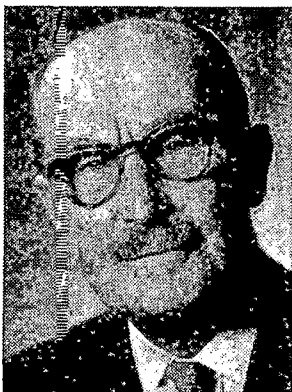
The President said: Well, gentlemen, it is exactly 2 o'clock and with your permission I will start the meeting. Most members will, no doubt, have seen the printed notice outside the Hall, but if it has escaped the attention of any member who has not paid his subscription, I must ask such a member to withdraw from the meeting.

PRESIDENTIAL ADDRESS

In the annual report you have had a full review of the activities during the past year. My aim today is to try to look forward, taking as my starting-point the implications of the present large size of our membership and intake of articled clerks.

Our membership at the beginning of this year was over 32,500 and it has since been increased to over 33,000 by the admission to membership of those who were successful in the Final examination last November. In each of the past two years there have been over 2,600 new articled clerks, which is twice the rate of recruitment during most of the post-war years and four times the rate of recruitment during the immediate pre-war years.

These figures serve to emphasize the serious responsibility resting upon the Council and upon each individual member of the Institute to ensure that our size is matched by our quality. From time to time we must look critically at our recruitment, our education and training arrangements, and the quality and range of the professional services which we provide.



Mr C. U. Peat

Recruitment of Articled Clerks

During the past year the Council has done much to stimulate interest in the profession among those leaving school and the universities. We have distributed widely the introductory booklet *Why Not Become a Chartered Accountant?* and its companion which the Council issued last October under the title *A Career for Graduates*. We have also had meetings with careers masters and university appointments officers. In addition we have sent letters to public schools and grammar schools and the principal girls' schools inviting inquiries and offering assistance with introductions to members having vacancies for articled clerks. For this purpose we have a very active interviewing and introductory service at the Institute. On a smaller scale a similar service is provided by the district societies.

The Council can stimulate interest, assist with introductions and lay down the minimum educational standard required for entering into articles. It is for the individual practising member to do the rest. First and foremost he should exercise great care to satisfy himself that he selects only candidates who appear to have the right outlook and qualities. He should be sure that the candidate understands the significance of articled service, the kind of training he will receive, the serious obligations he is undertaking towards himself and his parents, and the kinds of career available to him after qualification.

Premiums are now virtually a thing of the past. Instead, we must recognize that young people of the quality we require now stand at a premium themselves. The immediate attractions of industry and commerce are often considerably greater than we can hope to offer. Nevertheless we seem at present to be holding our ground in recruitment and it is particularly satisfactory to know that there has been a substantial increase in the number of university graduates entering into articles, although the number is still far too small.

There can be no doubt that a person of the right outlook and ability can achieve a full and satisfying career as a chartered accountant and our aim must be to emphasize this long-term outlook if we are to avoid losing valuable recruits because of the more immediate financial gains to be obtained in other occupations. Finally, however attracted to the profession a youngster may be, he may well find it impossible to contemplate entering into articles without a salary on which he can maintain himself.

Education and Training

Throughout the period of his articled service an articled clerk must obtain the training and education required not only to pass the Institute's examinations but also to equip him properly for his future responsibilities. As you will know from the annual report, our Parker Committee on Education and Training is still sitting and I must not say anything which might appear to anticipate what its recommendations

will be. Nor must I say anything which appears to pre-judge the issue. I will therefore content myself with one observation which I feel I can safely make.

Two-thirds of the clerks who entered into articles last year were articled in firms having from one to four partners. Within that range of firms the articled clerks were fairly evenly spread, both in London and the provinces, over the four sizes of firm. At the other end of the scale the large firms had only a small proportion of the total; less than 9 per cent were articled in firms having ten or more partners. The great majority of our future members are therefore in the care of small firms, who should recognize that they have a tremendous responsibility to ensure suitable and adequate training for their articled clerks if the chartered accountants of the future are to be worthy of the name.

I am not myself satisfied that some firms are really suitable for the training of articled clerks as I do not feel that their range of clients enables them to provide in full the right types of experience. For example, the independent audit is one of the vital services of our profession and it really is fundamental to the training of a would-be chartered accountant that he should have a depth of real auditing experience.

As I have said, I must not appear to pre-judge the issue; but whatever may be the outcome of the work of Mr Parker and his committee I am sure no one will disagree with me when I say that the first question which a member should ask himself before taking an articled clerk is whether his practice can really provide an adequate range and depth of experience. If the member feels that his practice is suitable then his task is to ensure that the articled clerk is given the full treatment and provided with every facility which he needs, so that in due time he will be not only a person who has passed his examinations but also a person who by reason of his practical experience, integrity and appreciation of professional ethics, is really fitted to be a chartered accountant. In this way we can be sure that future generations will improve on our standards as we have improved on those of our predecessors.

Quality of our Services

We are within a few days of the Institute's eightieth birthday. During those eighty years the stature of our profession has grown enormously. From a very small beginning, when people were not anxious to be seen in the company of a chartered accountant because this might signify insolvency, we have progressed to the stage where we are now well established and sought after for our indispensable services to those engaged in all kinds of business activity. Some of us render our services internally in business organizations; some of us do so as independent public accountants. In both fields the range of our work is continually expanding and we need to keep abreast of current developments in our own professional techniques and in the various aspects of law which touch upon our work.

We have long since passed the day when any one chartered accountant could properly claim to be fully up to date and expert in all the work of the profession. We must therefore all realize our limitations. None of us should undertake work which he does not feel fully competent to do and we should make sure

that the work we do undertake is carried out to the highest standards. In a speech of this kind I cannot go through the whole range of the work of the profession but there are two particular aspects which I will mention because they are so important.

First may I stress our function as auditors. Auditing techniques have changed a good deal and they will go on changing. During the past eighty years there have been some revolutionary developments in the nature of business records and yet I feel that we have so far had only a preliminary glimpse of the impact of electronics. As auditors therefore we must concentrate our attention more and more on the fundamental objective, namely, to give our professional opinion on the truth and fairness with which a financial statement is presented. Everything the auditor does should be done with that aim in view. All the tests, inquiries and examinations he makes should be for the purpose of satisfying himself that the financial statement is fairly presented and is a true representation of the outcome of the transactions which have taken place.

Whether the links between each transaction and its reflection in the final statement are in the form of handwritten records or machine records or sheer magnetism is of relatively little importance. The important thing is that there should be a true and fair reflection and that whatever system is in operation is properly designed and supervised to ensure that this will be achieved.

If as auditors we approach our work in that frame of mind we need not be unduly perturbed by startling scientific developments. On the contrary, we shall come to welcome anything which reduces our own detail work and enables us to concentrate more fully on the objective. This means, however, that we shall have more and more need for skilled accountants as distinct from junior staff and we can only satisfy this need by providing adequate training in our own offices.

The other matter which I wish to emphasize is the very great importance of further development in the field of management accounting. I am not very fond of this expression but the description does not particularly matter so long as we all understand what it means. In 1954 the Council issued a pamphlet called *Management Accounting: An Outline of its Nature and Purpose* which has since been reproduced in the *Members' Handbook*. The Council there said that any form of accounting which enables a business to be conducted more efficiently can be regarded as management accounting. It consists of the production and presentation of accounting information which is of direct assistance to the management in the formulation of policy and the day-to-day control of the business.

This is a vital service which many members are already providing either as officers of industrial and commercial enterprises or as independent advisers, but a great many more members ought to turn their attention to it. There is a vast area of business activity carried on by small and medium-sized concerns which I believe could benefit greatly from sensible down-to-earth advice on management accounting from practising members of the Institute.

It is in the interests of our clients and ourselves that we should seize this opportunity. We must, however, do it properly. Each practising member ought to make a thorough appraisal of his knowledge and experience, the organization of his practice and the facilities and

staff at his disposal so that he can decide what services he can properly undertake for his clients.

Having placed special emphasis on auditing and on management accounting because they are of such special importance to our profession, may I now make a more general appeal. I have already mentioned that no member today can claim to be expert in all the work of the profession. In large firms it is possible to have partners and staff who specialize in particular work so that the firm is able to undertake with confidence a considerable range of specialized services. It is in the nature of a large firm that this should be so. The same cannot apply to the small firm and the sole practitioner but from time to time they are bound to encounter circumstances in which a client is clearly in need of specialist service or advice. This might be, for example, in relation to some taxation matter, or some company difficulty, or some aspect of management accounting or insolvency, or some executorship or death duty point. It really is important that no practising member should ever hesitate either to take for himself, or to recommend a client to take, specialist advice on a matter with which the member himself is not fully competent to deal.

May I also recommend attendance at summer courses and meetings of district societies as being excellent methods of benefiting from other members' views and experiences.

Technical Activities of the Institute

The Council itself is doing a great deal to assist members in carrying out their duties to the highest standards. During the past year it has issued an important statement on Retirement Benefits as No. 21 in the series of Recommendations on Accounting Principles and also an important statement dealing with that troublesome and extensive field of certificates required by trade associations and other bodies. These statements are additions to the great wealth of information now available in the *Members' Handbook*.

I hope all members make full use of their handbooks. The domestic part has still to be issued except for the sections containing the Royal Charters and bye-laws and the statements dealing with professional conduct. The technical part is, however, extensive. A glance at the contents table shows the wide range of subjects covered, including management accounting and accounting by electronic methods as well as accounting principles, taxation, company law and numerous miscellaneous matters. All this material represents a distillation of experience and opinion gathered by the Council with the invaluable assistance of the Taxation and Research Committee. A truly enormous amount of time and effort is put into this work, with the sole purpose of assisting the individual member to keep abreast of current developments and professional standards.

A great deal has been achieved since the Council entered the technical field by the establishment of the Taxation and Research Committee in 1942. The time has now arrived to review the whole question of the Institute's activities in this field, for which purpose a special committee was appointed at the end of last year. Meanwhile there is no lessening of the Council's activities and I would like to remind you that they are not confined to documents which find their way into the *Members' Handbook*. Much is done by way of

representations to Government departments and elsewhere on current matters of public importance.

Council Representations

The Council does not seek to hit the newspaper headlines with its representations and for this reason there is perhaps some failure to realize how extensive they are. By comparison with other recent years the past year has not been exceptional and yet there is a formidable record of activity. May I remind you of the main items?

In the field of taxation the matters on which we have made representations to the Chancellor of the Exchequer or the Board of Inland Revenue include the Finance Bill, overseas trade corporations, penalty provisions, Schedule D assessment notices, allowances under Schedule E of members' subscriptions to district societies, and a really strange little anomaly under Section 23 of the Finance Act, 1956, which I am glad to see is dealt with in this year's Finance Bill. On overseas trade corporations we have asked for certain anomalies to be removed and for the scope of the legislation to be extended to embrace trading income from non-resident subsidiaries. It is disappointing that nothing is proposed on this in the current Finance Bill.

On penalty provisions, the proposals in the Finance Bill may usefully be considered in the light of the views expressed by the Council to the Board of Inland Revenue. We said that the review of penalty provisions should be with the object of (a) removing doubts as to the circumstances in which immunity from penalty proceedings is available; (b) giving immunity from criminal proceedings where a full disclosure is voluntarily made before any proceedings or inquiries have been commenced; (c) relating monetary penalties to the amount of the underpayment of tax; and (d) removing any provisions under which any person is deemed guilty unless he proves himself innocent.

Those of you who have read the Building Societies Bill will have noted the large extent to which it incorporates in principle the proposals regarding accounts and audit which the Council made in its two memoranda to the Treasury. These are sweeping changes of a fundamental nature which will lift the legislation on this important subject right out of its nineteenth-century fog. The details of the Bill require some improvement and we have made representations for that purpose.

Two past presidents have appeared before the Select Committee on Nationalized Industries and reaffirmed the views expressed by the Council in a memorandum submitted in 1952, indicating important ways in which the Council considers that professional accountants could assist those responsible for the control of nationalized industries.

We have submitted comments to the Chancellor of the Exchequer on the White Paper proposals concerning trustee investments and last month we made representations to the Lord Chancellor on certain aspects of the Charities Bill.

At this moment we are examining the current Finance Bill and we are also in the closing stages of the preparation of a memorandum for the Jenkins Committee on Company Law.

The fact that all these matters have had the attention of the Council is a forceful reminder of the wide

field in which the Institute is interested because of the extensive nature of the work undertaken by members.

Overseas Matters

In addition to the diverse responsibilities undertaken by members in the United Kingdom, the Council also has to consider many overseas matters. Some 4,000 of our members are resident overseas and a good number of them are associated in partnership with members in the United Kingdom. The Overseas Relations Committee of the Council devotes a great deal of time to developments affecting the exercise of the profession in overseas countries and most of this work is unsuitable for reporting in detail in the annual report. We consistently maintain our often-repeated view that the international nature of the accountancy profession is such as to require a liberal attitude towards world freedom of practice rights, if the profession is to be able to continue serving adequately the business interests which depend upon it. We believe that all forms of artificial barriers are detrimental to the future development of the profession and to the interests of the countries imposing them. Let no one suppose that this is a problem which concerns only a handful of large international firms. In one way or another the whole membership is affected and the subject is vital to the future well-being of the profession.

It has always been the policy of the Council to be as helpful as possible to overseas countries by giving advice and information based on our long experience in this country. As part of this policy a special step has now been taken by the Chartered Accountants Joint Standing Committee which consists of representatives of our Institute, the Scottish Institute and the Irish Institute. The joint committee has set up an Overseas Accountancy Examinations Advisory Board whose functions are to advise and assist overseas bodies in establishing and conducting their own accountancy examinations, with such standards as those bodies may choose. These examinations will have no connection with those of any of the three chartered institutes and the examination papers of the institutes will not be used. It is hoped that this new step will prove to be of really significant help in those parts of the world where great difficulty would otherwise be encountered because there are not enough qualified accountants who are able to devote the time required to examination work and who also have the experience required to do so.

Relationship with other Accountancy Bodies

The Board I have just mentioned is an example of the way in which our Institute, the Scottish Institute and the Irish Institute co-operate, either through the Chartered Accountants Joint Standing Committee or otherwise, on both home and overseas matters in which the three institutes have a common interest.

On Parliamentary matters affecting the qualification and status of auditors the three chartered institutes act jointly with The Association of Certified and Corporate Accountants, through the Accountants Joint Parliamentary Committee. This committee has a number of common problems to consider under these headings and provides a useful field for co-operation by all the bodies concerned. Its existence and usefulness are in no way affected by the decision, referred to

in the annual report, that no steps should be taken towards a scheme of integration of the Association with the chartered institutes.

Office Accommodation

Before ending my remarks I must refer to the question of office accommodation. Our long-term problem of accommodation remains under active consideration but for the time being the working conditions of the Institute's staff have been greatly improved by the taking of a suite of offices at 55 Moorgate to which most of the staff were transferred last December. The Library and the Members' Room remain at Moorgate Place where the Appointments Officer and the staff of *Accountancy* have their offices. The benefits of this easing of the position have only recently begun to be felt. For most of the year under review the considerable burden of activity was borne by the staff under most unsatisfactory conditions.

Appreciation of Secretary and Staff

During my year as President I have learnt to appreciate the hard and devoted work of the staff of the Institute. Since the move to 55 Moorgate, the staff have been able to work in reasonably comfortable conditions, but much remains to be done. One of the happiest memories of my term as President will be the support and friendship which I have received from Mr MacIver and the splendid team which he leads. During the first part of my presidential year, when Mr MacIver was attending a conference in America, I was accompanied to district society annual dinners by Mr Loveday, Mr Evan-Jones, or Mr Allen and I should like to offer them my thanks for their companionship and help.

May I also offer my most sincere thanks to the Deputy Secretary, Mr Wilkinson, for his erudite and forthright help in all the many matters which required the searching light of his brilliant intellect.

In conclusion, a personal word of thanks to Mr MacIver, whose friendship and wise advice I shall always remember and value.

I now propose and ask the Vice-President to second the adoption of the report of the Council and the accounts for the year ended December 31st, 1959.

Mr Pears seconded the resolution.

DISCUSSION

The President: The resolution has now been moved and seconded and the report and accounts are now open for questions or discussion. May I say at this point, gentlemen, that I think the best method of going about questions and suggestions which may come from the floor of the meeting is for me to wait until all the questions have been put and then I shall try and answer them, instead of dealing with each one as it crops up. May I please have your names and questions quite clearly so that I can deal with them.

Mr H. A. Bakewell, F.S.A.A., London: Although the report contains particulars of many changes in membership, I regret being unable to find a mention of any suggestion to grant a change of status to incorporated accountants. This matter has, of course, been raised on several previous occasions, and at the special general meeting last year the President said that consideration would be given to the representations then put forward.

Incorporated accountants came into being as the progeny of the Society before the marriage of the Society to the Institute, but there seems no reason why they should continue to be treated as though their parents had never been

married at all. In ordinary life, it is possible for children born out of wedlock to be legitimized by the subsequent marriage of their parents, and something akin to this principle might be applied in the Institute. (*Laughter.*)

It is clear from letters in *The Accountant* and from conversations with other members that incorporated accountants generally are feeling a good deal of disquiet about the continued denial to them of full status, and I believe that there is a substantial and growing volume of opinion among chartered accountants in favour of removing the distinction.

I should therefore like to ask for a statement of the course of the deliberations by the Council on this matter.

The President: Thank you, Mr Bakewell.

Mr F. A. Roberts, F.C.A., Surbiton, said that in lecturing before the district societies he had continually urged the discontinuance of the use of the words 'sundry debtors' and 'sundry creditors' in describing debts receivable and debts payable; also of the practice of including payments in advance under the caption of current assets and receipts in advance under that of current liabilities.

Debtors or creditors were persons by whom or to whom money is payable and these persons did not thereby become assets or liabilities. A debt was a chose-in-action and the legal, and indeed common-sense, description was 'debts receivable' or 'debts payable'.

How could the inclusion of payments in advance under the heading of current assets be justified? The purpose of the collation in a balance sheet of current assets and current liabilities was to reveal the degree of liquidity. If he owed £200 and had a bank balance of £180, the fact that he had paid rates in advance of £20 would be of no assistance in the discharge of the £200, unless he sold the house and recovered the advance proportion from a purchaser. In short, payments in advance could not contribute to the current liquid position.

The current liabilities in the Institute's balance sheet were shown at £97,250 - indicating that this total was either presently payable or payable in the near future. Of this, £7,438 was in respect of subscriptions in advance. He was in possession of Counsel's opinion which was to the effect that a receipt in advance results in a liability if, and only if, the recipient of the money fails to afford the service under the contract. It was not that there was a liability *until* the service was rendered. The liability arose from the payer not having received the consideration for which he had paid - breach of contract.

He suggested that the balance sheet before the meeting should show current assets at £98,099 and current liabilities at £89,812 with payments in advance under a heading such as 'deferred expenditure' and more particularly with receipts in advance under a separate caption.

The treatment he criticized was, he said, frequently adopted in balance sheets. It fell to them to remove the misconception in the commercial world. He hoped that next year their balance sheet would set the example.

The President: There seem to be no further questions. Can I first deal with Mr Bakewell's suggestion that the difference between incorporated accountants and chartered accountants in our Institute should be eliminated? I expected a question of that sort and, if I may do so, I will read the answer. You asked for a statement, Mr Bakewell, and we have been particularly careful to prepare a considered statement on that subject, which is as follows:

'One of the really great difficulties which arose in formulating the scheme of integration was the fact that the Society's regulations allowed persons to qualify as incorporated accountants in municipal service, in overseas offices and some other ways which were foreign to the basis which has always been fundamental to qualification as a member of the Institute, that is to say training in public accountancy in England or Wales. The solution arrived at in the scheme of integration, namely, the creation of an incorporated accountant class of membership of the Institute, was fundamental to the scheme. Without this

feature the scheme would never have been born as it would have created a very wide range of problems.'

I am sorry I cannot say anything more about it at the present time but this is a very carefully considered statement which may not be satisfactory so far as you, Mr Bakewell, are concerned.

Now, Mr Roberts, I have to thank you for your very helpful suggestions. The chairman of our Finance Committee is here, and although I do not think for one moment that you are suggesting that the accounts should be changed this year, the points you put forward will be carefully considered for next year. I assure you of that. I am most grateful to you for having put them forward.

The resolution has now been moved and seconded; questions have been asked and I will put it to the meeting. Those in favour? Those against? Carried unanimously.

Appointment to the Council

I now have pleasure in moving a resolution confirming the appointment of one member of the Council to fill a vacancy arising since the last annual meeting. The member's name appears on page 7 of the report and he is Mr David Steele, F.C.A., Bradford, and I will ask the Vice-President to second.

Mr Pears: I have very much pleasure in seconding the resolution.

The President: Those in favour? Those against? Carried unanimously.

The following eleven members of the Council retire under bye-law 5 and are eligible for re-election. The names of the members in practice (other than the 'Society's appointed member' whose position is governed by clause 18 of the scheme of integration) have been referred to the district societies concerned and no other nominations have been received. I therefore declare the eleven members re-elected in accordance with Bye-law 8. They are:

Mr William Leonard Barrows, LL.D., F.C.A., Birmingham.
Mr George Thomas Everard Chamberlain, F.C.A., Leicester.
Mr Jack Clayton, F.C.A., London.
Mr Leonard Cecil Hawkins, F.C.A., London.
Mr James Stanley Heaton, F.C.A., Keighley.
Mr Paul Dugan Irons, B.COM., F.C.A., Hatfield.
Mr William Halford Lawson, C.B.E., B.A., F.C.A., London.
Mr Redvers Boulton Leech, M.B.E., T.D., F.C.A., Coventry.
Mr Robert McNeil, F.C.A., Hove.
Mr Sidney John Pears, F.C.A., London.
Mr David Steele, F.C.A., Bradford.

Appointment of Auditors

The next resolution concerns the election of auditors. Mr L. W. Bingham, F.C.A., and Mr Leonard Pells, M.A., F.C.A., retire and are eligible for reappointment. Can I have a proposer please?

Mr Roberts: Mr President, it is my pleasure to move the following motion:

'That Mr L. W. Bingham, F.C.A., and Mr Leonard Pells, M.A., F.C.A., be reappointed auditors for the ensuing year at a total remuneration of 1,000 guineas.'

The President: Mr Holmes, would you second?

Mr L. E. Holmes, A.S.A.A., Orpington: I have pleasure in seconding the resolution.

The President: The resolution has been proposed and seconded. Those in favour? Those against? Carried unanimously.

Society's Assets in South Africa

The last item is to consider and if thought fit pass the following resolution:

'That, for the purpose of removing any doubt which may exist in the law as to the ownership of the assets held by the three branches in South Africa of The Society of Incorporated Accountants (in voluntary liquidation) known as the Northern Branch, the Eastern Branch and the Western Branch respectively, and to ensure that the assets shall be at the disposal of these branches, the Institute hereby renounces and assigns in favour of each of the said branches any legal interest which it may have in the assets of each of such branch respectively.'

I will ask the Vice-President to second the motion.

Mr Pears: I have pleasure in seconding the motion.

The President: Those in favour? Those against? Carried unanimously.

Mr J. D. Russell, M.A., F.C.A., London: Mr President, I have been asked to express the thanks of this meeting for your conduct in the chair. Please forgive me for rising to my feet two years running. I hasten to explain that my second appearance is due to my having deputized for someone last year. I hope it will not be regarded as a precedent in some quarters. On this occasion I am proposing this vote of thanks in my own right, and I have much pleasure in doing so.

Mr President, this is the recognized occasion when members of the Institute have the opportunity of thanking the President for all his services during his year of office. Many of us here today have come to know Mr Peat extremely well. He has given us very much support and help and has set a very high standard for future presidents to attain. We have very much enjoyed his delightful company and his charming speeches which have done so much to make a success of the very many functions which he has attended on behalf of the Institute.

Mr President, please accept our thanks for all you have done and are doing for our profession and also thank Mrs Peat for her gracious support which she has given you on many occasions. Gentlemen, I am sure you will carry this vote by acclamation. (*Applause.*)

The President: Mr Russell, madam and gentlemen, thank you very much for the way you have proposed this vote of thanks to me and for the way it has been received. My year of office has been of great interest and great pleasure as far as I am concerned, and if I have, by any chance, been able to serve the interests of the Institute I am altogether well rewarded for anything I have done and certainly I will pass on your kind message to my wife. Thank you very much indeed. (*Acclamation.*) That concludes the business of the meeting but I hope some of you will be able to remain to attend the meeting of the Benevolent Association.

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, May 4th, 1960, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, M.C., Messrs J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Death of Mr G. F. Saunders, F.C.A.

The Council received the report of the death of Mr G. F. Saunders, F.C.A., Liverpool, with very much regret.

Mr Saunders was elected to the Council in 1948 and had served on the Applications, Finance, Parliamentary and Law, Disciplinary, Summer Course and General Purposes Committees. He was Chairman of the Applications Committee from 1956 to 1959, and of the Parliamentary and Law Committee from 1955 to 1958.

Building Societies Bill

A memorandum has been submitted to the Lord

Privy Seal and Minister for Science on behalf of the Council drawing attention to certain matters arising on the Building Societies Bill.

Breach of Covenants in Articles

On the report of the Articled Clerks Committee the Council has considered two cases in which articled clerks have left the office of their principal without permission. In both cases the clerk and where appropriate his covenantor have been given the opportunity to comment on the position and their attention has been drawn to the covenants in articles which provide:

'that the articled clerk will not depart or absent himself from the service of the principal at any time during the said term without his consent first obtained'

and

'that if during the said term the articled clerk . . . shall be absent without leave otherwise than by reason of illness for a period of one month the principal shall be entitled to discharge the articled clerk from service hereunder'.

In both cases all parties to the articles have been informed that service thereunder has been regarded as terminated and that the Council will exercise its power under bye-law 50 to refuse to accept any new articles submitted for registration at any future date by or on behalf of the clerk unless a full and satisfactory explanation of the circumstances is offered to, and accepted by, the Council.

Refusal to Register Articles

An applicant who submitted, for the purpose of obtaining exemption from the Preliminary examination, an examination certificate which had been altered by him has been informed that the Council will refuse

to register articles of clerkship to which he may be a party.

Exemption from the Preliminary Examination

Three applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

Exemption from the Preliminary Examination

Passes obtained in the examinations of different examining bodies:

The regulations governing exemption from the Preliminary examination provide that in no circumstances are passes in the General Certificate of Education examinations regarded as having been obtained at one sitting if awarded by different examining bodies.

The Council has decided to substitute for this regulation, which is expressed in note (IV) on page 45 of the booklet *General Information and Syllabus of Examinations*, May 1960 examinations edition, the following:

'(IV) A candidate may satisfy the conditions above by offering passes awarded by different examining bodies. Such passes cannot be accepted as having been obtained at one sitting unless the examinations at which they were awarded were held in the same term.'

Registration of Articles

The Secretary reported the registration of 102 articles of clerkship during the last month, the total number since January 1st, 1960, being 774.

Admissions to Membership

The following were admitted to membership of the Institute:

Bagot, Peter James Cornelius; A.C.A., 1960; 5 Knowsley Avenue, Marton, Blackpool.
§Barlow, Gerald-Royce; A.S.A.A., 1960; 21 Avenue Capitaine Piret, Brussels, 15.
§Daver, Naushirwan Burjorji; (1960); F.S.A.A., 1960; A.S.A.A., 1930; Secretary and Chief Accountant, Tata Hydro-Electric Companies, Bombay House, Bruce Street, Fort, Bombay.
Endersbee, Bryan Joseph; A.C.A., 1960; 46 Heather Road, Lee, London, SE12.

§ Means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Frankiss, Charles Clifford; A.C.A., 1960; 157 Hampstead Way, London, NW11.

§Herbert, Glynn Basil; A.S.A.A., 1960; 230 Boshoff Street, New Muckleneuk, Pretoria, South Africa.

Isherwood, William Ramsbottom; A.C.A., 1960; 301 Rochdale Road, Bury.

McKenna, (Miss) Jean Miriam Dolores; A.C.A., 1960; 167 Eastern Avenue, Ilford, Essex.

Mason, Geoffrey; A.C.A., 1960; 91 Stormont Road, Garston, Liverpool, 19.

Moon, Gerald; A.C.A., 1960; 8 Norfolk Street, Barrow-in-Furness.

§Rozen, Henri Willy; A.S.A.A., 1960; 22 Muller Street, Yeoville, Johannesburg, South Africa.

§Stott, Gavin Cyril; A.S.A.A., 1960; North Shepstone, Natal South Coast, South Africa.

Fellowship

The Council acceded to applications from twenty associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member Becoming an Associate

The Council acceded to an application from the following Incorporated Accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Sapper, Peter Michael; (1958); A.S.A.A., 1957; 86 Old Fort Road, Shoreham Beach, Sussex. (With Nyman Libson, Paul & Co.)

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Adcock, John Robert; A.C.A., 1958; (S. 1952); (†Peat, Marwick, Mitchell & Co), Beaufort House, Newhall Street, Birmingham, 3.

Agle, Harold Waddington; A.C.A., 1958; (S. 1957); (†Layton-Bennett, Billingham & Co), 23 Blomfield Street, London, EC2.

Aitken, Ronald William; A.C.A., 1957; (†Singleton, Fabian & Co), 30 Southampton Buildings, Chancery Lane, London, WC2, and 65 London Wall, London, EC2.

Anderson, Ernest Charles; F.C.A., 1960; A.C.A., 1958; (S. 1934); 185 Browning Road, Manor Park, London, E12.

Armitage, Brian Holmes; A.C.A., 1959; (S. R. Fuller & Co), 13/15 Clarendon Road, Leeds, 2.

Auger, Peter George, B.COM.; A.C.A., 1952; (Creasey, Son & Wickenden), 40 High Street, Chatham, Kent.

Baker, Max; A.C.A., 1958; (James Kimche & Co) and (M. J. Goldburgh & Co), 15 Red Lion Square, London, WC1, and 26 Lordship Park, London, N16.

Baker, William; A.C.A., 1959; (Hatchwell & Browne), 16 Liverpool Road, Chester.

Baxter, Frederick Geoffrey; A.C.A., 1954; (Hodgson, Harris & Co), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co).

Bennett, Sidney James; F.C.A., 1960; A.C.A., 1958; (S. 1940); (Fryer, Sutton, Morris & Co), 5 London Wall Buildings, Finsbury Circus, London, EC2, and at Reading.

Berger, Malcolm Hyman; A.C.A., 1957; (M. Berger & Co), 29 Brim Hill, London, N2.

Bolton, John William; A.C.A., 1951; (John W. Bolton & Co), 'Fairways', Ingle Green, Gayton, Heswall, Cheshire.

Bone, Michael John Stuart; A.C.A., 1960; (*C. and M. J. S. Bone), Monmouth House, 87 The Parade, Watford.

- Carr, Norman Ernest; A.C.A., 1956; 44 Harris Road, Chilwell, Nottingham.
- Carter, Francis John; A.C.A., 1958; (D. P. Newell, Wright & Co), Worcester Cross Chambers, Oxford Street, Kidderminster, and at Bridgnorth.
- Casson, George Ronald Lount; A.C.A., 1959; 138 Laura Grove, Preston, Paignton, Devon.
- Charlton, Murray Anthony; A.C.A., 1935; (†Deloitte, Plender, Griffiths & Co), 5 London Wall Buildings, Finsbury Circus, London, EC2; (for other towns see †Deloitte, Plender, Griffiths & Co).
- Chilver, Brian Outram; A.C.A., 1955; (Temple, Gothard & Co), 7/8 Norfolk Street, Strand, London, WC2.
- Churchill, Brian Alwyn; A.C.A., 1956; (Evans, Peirson & Co), Portland House, 73 Basinghall Street, London, EC2.
- Cook, Jack Douglas; A.C.A., 1954; (W. E. & H. R. Stacey), Union House, 6 Martin Lane, London, EC4, and at Liverpool.
- Cooney, Peter John; A.C.A., 1958; (S. 1955); (Herbert Godkin & Co), 73 Regent Road, Leicester, and at Loughborough.
- Croudson, David, B.COM.; A.C.A., 1955; (Croudson & Co), 1 Oxford Place, Leeds, 1, and at Malton.
- Croudson, Paul; A.C.A., 1957; (Croudson & Co), 1 Oxford Place, Leeds, 1, and at Malton.
- d'Agapeyeff, Alexander; A.C.A., 1959; (†Hays, Akers & Hays), 30 Cursitor Street, Chancery Lane, London, EC4.
- Danks, John Leslie; F.C.A., 1960; A.C.A., 1958; (S. 1938); (C. McDonald & Co), National Provincial Bank Chambers, 78 Victoria Road, Surbiton, Surrey.
- Dashwood, Cyril Francis; A.C.A., 1950; (Nevill, Hovey, Gardner & Co), 94 Old Broad Street, London, EC2, and at Hove.
- Dove, Jack Richard; A.C.A., 1956; (Alfred Smith, J. R. Dove & Co), Eastgate House, 11 Cheyne Walk, and 98 St James Road, Northampton, 1.
- Evans, Austin Harold; A.C.A., 1958; Finance House, 6 Tudor Road, Cardiff.
- Foster, Roy William John; A.C.A., 1955; (Davie, Parsons & Co), 6 Bishopsgate, London, EC2.
- Gledhill, Jack; A.C.A., 1954; (Kerr & Co), Post Office Buildings, Halifax.
- Graham, Keith Mark; A.C.A., 1952; (N. T. O'Reilly & Partners), Birbeck House, Duke Street, Penrith, Cumberland, and at Carlisle, Hawes and Kirkby Stephen.
- Gurney, Brian Edwin; A.C.A., 1952; (Johnson, Gurney & Co), 'Highclere', Courtlands Drive, Watford, and at St Albans.
- Hale, Peter; A.C.A., 1958; (Baker, Todman & Co), Canada House, Norfolk Street, Strand, London, WC2.
- Harrison, Thomas Gerard, M.B.E.; F.C.A., 1960; A.C.A., 1947; (T. G. Harrison & Co), 52 Lime Street, London, EC3.
- Hayes, John Edward, B.COM., A.C.A., 1960; Lonsdale House, Cook Street, Leigh, Lancs.
- Heacock, David John, B.A.; A.C.A., 1957; (Thomas Brittain & Co), 4 Waterloo Street, Birmingham, 2.
- Herdman, Roderick Harling Leadham; A.C.A., 1953; (Edmonds & Co), Market Chambers, High Street, Petersfield, Hants; (for other towns see Edmonds & Co, and †Edmonds & Co).
- Herring, Brian John; A.C.A., 1955; (†Layton-Bennett, Billingham & Co), 23 Blomfield Street, London, EC2.
- Hobden, John Levett; A.C.A., 1952; (†Hubbart, Durose & Pain), P.O. Box 33, 18 Park Row, Nottingham.
- Holland, Nigel Francis; A.C.A., 1951; (Baker, Sutton & Co), Eldon Street House, Eldon Street, London, EC2.
- Holt, Michael, M.A., LL.B.; A.C.A., 1958; (Arthur Goddard & Co), 46/47 London Wall, London, EC2.
- Iverson, Kenneth; A.C.A., 1958; (S. 1955); (*Whitaker, Redfearn, Pappin & Co), Bryndon House, Berry Road, Newquay, Cornwall.
- Jones, Howard Neville, B.A.; A.C.A., 1960; (Horace Jones & Co), 63 Park Place, Cardiff.
- Kay, Michael Anthony Samuel; A.C.A., 1960; (Fredk. C. Crosland & Co), 10 Park Row, Leeds, 1.
- King, David Samuel; A.C.A., 1958; (L. King & Co), State Insurance Buildings, 14 Dale Street, Liverpool, 2.
- Lamb, Derrick Ronald; A.C.A., 1955; (R. E. Wagstaff & Co), Lloyds Bank Chambers, Town Square, Stevenage, Herts.
- Landau, Martin Richard; A.C.A., 1960; (*Landau, Morley & Scott), 2 Bentinck Street, London, W1; 2/10 St John's Road, Clapham Junction, London, SW11; and 124/126 The Grove, London, E15; and at Feltham and Brighton.
- Lock, John Michael; A.C.A., 1959; 7 Oakmeade, Hatch End, Middlesex.
- Lunn, Bertram Ramsay; A.C.A., 1958; (T. E. Rowell & Co), 1 Northumberland Place, North Shields.
- Lyon-Maris, Peter David; A.C.A., 1958; 83 Ebury Street, London, SW1.
- Macaulay, Colin Ferguson; A.C.A., 1952; (*James, Silley, Mitchelmore & Co), 59 Hyde Road, Paignton, South Devon.
- Mansbridge, Michael; F.C.A., 1960; A.C.A., 1938; (†Jennings & Co), 201 Hoe Street, Walthamstow, London, E17, and Adam House, 1 Fitzroy Square, London, W1.
- Moralee, Sydney; F.C.A., 1960; A.C.A., 1958; (S. 1939); (A. Ian White & Moralee), Emerson Chambers, Blackett Street, Newcastle upon Tyne, 1.
- Morrell, Harry; F.C.A., 1960; A.C.A., 1949; (†Wheawill & Sudworth), 35 Westgate, Huddersfield; also at Leeds and London, (†Wheawill & Sudworth), and (†James Meston & Co).
- Nadin, Peter William Ralph, B.COM.; A.C.A., 1954; (Dean & Son), 4 Market Square, Stafford; also at Newcastle, Staffs. (A. Danning & Co).
- Norman, Ernest Arthur; A.C.A., 1952; (Howard Heaton & Bendall), 5 Foregate Street, Worcester, and at Birmingham and Wolverhampton.
- Nuttall, Geoffrey Ellis; A.C.A., 1958; 53 Victoria Road, Cleveleys, Blackpool.
- Ogley, Thomas Alwyn, B.A.(ECON.); A.C.A., 1954; (Franklin, Greening & Co), Broomspring House, 85 Wilkinson Street, Sheffield, 10; and 22 Norfolk Row, Sheffield, 1.
- O'Hara, John Douglas; A.C.A., 1954; (Hodgson, Harris & Co), 53 Eastcheap, London, EC3; (for other towns see Hodgson, Harris & Co).
- Parkinson, Kenneth; A.C.A., 1959; (*A. Fitton & Co), 26 Railway Road, Darwen, Lancs, and at St Annes.
- Payne, Sydney; F.C.A., 1960; A.C.A., 1939; (Dawson, Graves & Co), 1 Tithebarn Street, Liverpool, 2.
- Phillips, Peter Warren; A.C.A., 1955; (P. D. Leake & Co), 84 Queen Victoria Street, London, EC4.
- Randerson, Bernard Joseph; A.C.A., 1958; (Croudson & Co), 1 Oxford Place, Leeds, 1.
- Reason, William Matthew; A.C.A., 1958; (S. 1952); (J. R. Watson & Co), 11A Abington Street, Northampton.
- Rickards, Anthony Peter; A.C.A., 1959; (†Carter, Greig & Co), 44 Chandos Place, London, WC2, and at Edinburgh.
- Robeson, Paul Michael; A.C.A., 1958; (†Hogg, Bullimore & Co), City-Gate House, Finsbury Square, London, EC2.
- Scott, Walter; A.C.A., 1958; (S. 1953); (Thomas H. How & Co), Radnor House, 93 Regent Street, London, W1.
- Senior, Leslie; F.C.A., 1960; A.C.A., 1948; (Beever & Adgie), 26 Park Row, Leeds, 1, and at Cleckheaton.
- Sergeant, John Jefcoate Ross; A.C.A., 1951; (†Hubbart, Durose & Pain), P.O. Box 33, 18 Park Row, Nottingham.
- Sims, Neville William; A.C.A., 1958; (S. 1957); (Phillips & Trump), 27 Park Place, Cardiff.
- Skidmore, Neil Rayner; A.C.A., 1958; (S. 1954); (Howard Heaton & Bendall), 3 Queen Street, Wolverhampton, and at Birmingham and Worcester.

Smith, Alan Matthew; A.C.A., 1957; (Lovatt & Co), 70 Church Road, Hove, 3, Sussex.

Smith, Frederick Ernest; A.C.A., 1952; (Fryer, Sutton, Morris & Co), 175 Friar Street, Reading, and at London.

Stephens, Denis Alfred; A.C.A., 1958; (S. 1954); 33 Hillington Gardens, Woodford Green, Essex.

Strachan, Malcolm Maxwell; A.C.A., 1952; (Hodgson, Harris & Co), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co).

Strachan, Roger Maxwell; A.C.A., 1953; (Hodgson, Harris & Co), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co).

Thomas, Alan Douglas Laing; A.C.A., 1959; (H. O. Bennett & Co), 5 Opie Street, Norwich.

Tuckey, Herbert William; A.C.A., 1954; (T. O. Williams & Davies), Prudential Buildings, St Philips Place, Birmingham, 3.

Welbourne, Cyril Edward; A.C.A., 1958; (*Larking, Larking & Whiting), 12/13 The Crescent, Wisbech, Cambs; (for other towns see *Larking, Larking & Whiting).

Whittall, Cyril; A.C.A., 1958; (S. 1955); 15 Orchard Close, Puritan, near Bridgwater, Somerset.

Williams, Robert Raymond; A.C.A., 1955; (Jones & Hack), 10 White Friars, Chester.

Wilson, Bryan Arthur; A.C.A., 1956; (Hull & Livsey), 22 Booth Street, Manchester, 2.

Readmissions to Membership

It was reported to the Council that the following readmissions, made at the Council meeting on April 6th, 1960, subject to payment of the amount required, had become effective:

Ezzat, Antoun Fouad, B.COM., A.C.A.; 34 Sh. Emad El Din, Cairo, Egypt.

Saunders, Alan Douglas, A.C.A. with Peat, Marwick, Mitchell & Co, 20 Rue Louis le Grand, Paris, France.

Changes of Names

The Secretary reported that the following changes of names have been made in the Institute's records:

Newman, Theodore to Newman, Theodore Jay.

Rieck, Harold Hershy to Rieck, Harold Hersch.

Admission Void

The Secretary reported that the admission to membership of the following person had become void under bye-law 41:

Runsey, Robert Arthur; A.S.A.A., 1960; 33 Mount Willmar, 36 Isipingo Street, Bellevue, Johannesburg, South Africa.

Resignations

The Council accepted the resignations from membership of the Institute of:

Biggs, Laurence Malcolm, F.C.A.; (Keller Snow & Co), Quarry Street, Guildford, Surrey.

Dickinson, Edgar, F.C.A., 83 Mayfield Avenue, Prittlewell, Southend-on-Sea.

Simmons, Michael Philip, F.C.A.; (Malpas Simmons & Co), Upper Hinton Chambers, Bournemouth.

Smith, Wallace Herbert, F.C.A., 5 Sandringham Road, Birkdale, Southport.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr John Whittington Amiel, F.C.A., Manchester.

„ Alfred Foord Andrews, F.C.A., Croydon.

„ Tom Barker, F.C.A., Kenilworth.

„ Eric John Bettson, F.C.A., Chalfont St Giles.

„ George Francis Burgess, F.C.A., Manchester.

„ Harold Charles Carter, O.B.E., M.M., F.S.A.A., Bridgwater.

„ Bertram St John Collins, F.C.A., Grantham.

„ George Gustavus Crook, F.C.A., Cromer.

„ Charles James Curtis, F.C.A., London.

„ William Forsyth, F.C.A., London.

„ Stephen Lloyd Francis, F.C.A., Swansea.

„ George Fyfe, F.S.A.A., Cambridge.

„ Arthur Gordon Tracey Greaves, A.C.A., Teddington.

„ Cyril Frank Greenstreet, F.C.A., London.

„ Berkeley Hall, F.C.A., Shepton Mallet.

„ Gerald Haring, F.C.A., Birmingham.

„ Douglas Walter Henley, F.C.A., Glasgow.

„ Alfred Bridge Hodson, F.C.A., Halesowen.

„ John Hudson, F.C.A., Bolton.

„ Andrew Jones, F.C.A., London.

„ Evelyn Robert Collow Kerr, F.C.A., Halifax.

„ John Mathie, F.C.A., Parkstone.

„ Lewis Edwin Pickin, F.C.A., London.

„ Norman Raper Rigby, F.C.A., Manchester.

„ Geoffrey Francis Sadler, M.A., F.C.A., Watford.

„ George Forrest Saunders, F.C.A., Liverpool, Member of the Council.

„ Leonard Stowell, F.C.A., Southport.

„ Henry Stephen Taylor, F.C.A., Maidenhead.

„ Russell Leslie Tillet, F.C.A., London.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on April 6th, 1960.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Antony Willis Wint, A.C.A., was in the County Court Judges' Criminal Court for the County of York, Province of Ontario in the Dominion of Canada, convicted on all fifty-three counts of an indictment dated October 26th, 1959, charging that by deceit, falsehood and other fraudulent means he attempted to defraud the Taxation Division of the Department of National

Revenue of the several amounts specified in the said fifty-three counts of the indictment, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Antony Willis Wint, A.C.A., had been proved and the Committee ordered that Antony Willis Wint, A.C.A., of 4 Moray Place, Scarborough, Ontario, Canada, be excluded from membership of the Institute.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

SEVENTY-FOURTH ANNUAL MEETING

The seventy-fourth annual general meeting of The Chartered Accountants' Benevolent Association was held on May 4th, after the conclusion of the annual meeting of the Institute. Sir William S. Carrington, F.C.A., President of the Association, was in the chair.

Sir William said: Mr President, gentlemen, I thank you for remaining behind for this, the seventy-fourth annual general meeting of the Benevolent Association and, I hope, for the special general meeting which follows.



Sir William Carrington

When moving the adoption of the report last year I stated that following revision upwards in the scales of relief I anticipated that the expenditure under that heading would increase by some £5,000 per annum. A reference to the report and accounts which are before you shows that the relief granted in the year to February 29th, 1960, exceeded that of the

previous year by approximately £4,000, whilst our subscription income increased by only £340, and our investment income by some £270, so that in the result we had a deficit of £2,438 against a surplus of £863.

We make no excuse for the increase in the expenditure on relief because this was obviously necessary in order to enable our beneficiaries to maintain a more reasonable standard of life.

Details, without names of course, of the cases we have helped and the individual amounts of relief granted are given on pages 25 to 33 of the report and a perusal of these should indicate that each case is decided on its merits and that we are by no means profligate in granting relief.

The really disturbing feature is that against relief of £18,000, our subscriptions amount only to £7,800 and that only some 3,300 out of the Institute membership of 32,500 support the Association; the moral is obvious – the Association ought to be supported by very many more members of the Institute and I do appeal to the district societies and branches to make a special effort this year to bring the Benevolent Association to the notice of the members of the Institute in their respective areas and to help us increase very materially the number of subscribers to the Association.

The expressions of thanks in the latter part of the annual report are no mere formalities, they were penned in sincerity, and whilst it may be invidious to mention anyone in particular, I would like to say here and now how grateful we all are to our Investment Sub-Committee, Messrs Davis, Eke and Touche, for their

sterling work which is reflected in the fact that our investments which cost approximately £134,000 had at February 29th, 1960, a market value of close on £305,000. Here, indeed, is a practical illustration of the justification of the legislation recently introduced to widen the investment powers of trustees who were not so happily placed as we were in being able to widen our powers by reference to our own constituents.

With those few remarks I beg to propose: 'That the report and accounts of the Benevolent Association for the year ended February 29th, 1960, be adopted,' and I will ask the President of the Institute to be good enough to second that proposal.

Mr Peat: I have pleasure in seconding.

The President: If there are any questions on the report and accounts I will do my best to deal with them. (*A pause.*) If there are no questions I put the resolution to the meeting. Those in favour? Those to the contrary? I declare the motion carried.

The next item on the agenda concerns the appointment of the honorary auditors. May I have a proposal from the floor of the house, please?

Mr R. Harrop, F.C.A.: Mr President, I should like to propose:

'That the honorary auditors, Mr Geoffrey Bostock, F.C.A., and Mr Leonard Walter Bingham, F.C.A., be re-elected for the ensuing year and that our thanks to them for their honorary services during the past year be recorded.'

Mr S. G. Ward, F.C.A.: I have pleasure in seconding that resolution.

The President: I put that to the meeting. Those in favour? Those against? Carried unanimously. I should like to add to your thanks the thanks of the executive committee for the work which our honorary auditors do.

That concludes the business of the annual meeting and we now proceed to the special general meeting of which due notice has been given.

SPECIAL GENERAL MEETING

The purpose of this meeting is to consider and, I hope, to pass the resolution¹ set out at page 3 of the annual report.

The underlying reason for this resolution is to authorize the integration of the Incorporated Accountants' Benevolent Fund with our Association and this is, of course, a natural corollary of the integration of the Society with the Institute.

I do not think that there is anything that I can usefully add to the information given in the memorandum¹ printed at page 4 of the annual report save

¹ See *The Accountant*, April 30th, 1960.

perhaps to say that these proposals have the unanimous support of the Executive Committee and also of the Board of Governors of the Benevolent Association and of the Trustees of the Society's fund. I therefore commend them to this meeting and I formally propose the resolution, and I will ask the President to be good enough to second it.

Mr Peat: I shall be delighted to second the motion.

The President: Are there any questions on this matter? (*A pause.*) I therefore put it to the meeting. Those in favour? To the contrary? Thank you. I declare the motion carried unanimously. That concludes the

special general meeting and may I thank you once more for your attendance at this meeting of the Benevolent Association.

Mr V. C. Reeve, F.C.A., London: Gentlemen, I am sure we are all very grateful to Sir William Carrington for the tremendous time he devotes to our Association and I have very much pleasure in moving a vote of thanks to the President for his services during the past year.

The motion was carried by acclamation.

The President: Thank you very much indeed.

INSTITUTE OF INTERNAL AUDITORS FIRST REGIONAL CONFERENCE

Opening the conference of internal auditors at Blackpool on Thursday of last week, Mr J. O. Davies, F.C.A., A.C.W.A., European Regional Vice-President of the Institute of Internal Auditors, said that the occasion was an historic one as it was the first regional conference of the Institute to be held in Europe. It had been sponsored jointly by the London and Manchester Chapters whose foresight was amply rewarded by the large attendance.

The theme of the conference was 'Industrial progress and what it means to the internal auditor', its purpose being to look into the future using the experience of the immediate past. Mr Davies said that the Institute, whose headquarters were in New York, now had more than 4,400 members in sixty-four Chapters distributed over four continents. The London Chapter, founded in 1948, had been the first in Europe; there were now six provincial Chapters in the United Kingdom, the total membership in Britain being 280; he called for efforts to increase this to 500 by this time next year.

Mr Davies said that they were fortunate in having with them Mr A. B. Hecker, F.C.A., C.P.A., Vice-President of the New York Chapter, who would address the conference.

INTERNAL AUDITING IN THE U.S.A.

In the course of his address on 'Management oriented internal auditing in the United States', Mr Hecker stated that in the U.S.A. the independent auditor was required to give his opinion as to whether financial statements fairly presented the financial position of a company and the results of its operations in conformity with *generally accepted* accounting principles applied on a consistent basis. This opinion is given on the basis of an examination made in accordance with *generally accepted* auditing standards. On the other hand, the activities reviewed and scope of the work of the internal auditor is determined by his management, rather than by generally accepted principles or standards.

After outlining some of the differences between auditing procedures in the United States and Britain, Mr Hecker continued:

"There are two more points I would like to cover concern-

ing internal and independent auditors. First of all, business has increased in volume and has been concentrated to the point where an adequate system of internal control and sound accounting procedures are absolutely essential. At the same time, the auditor has been obliged to limit his checking, for economic reasons, to the minimum number of individual transactions necessary to ascertain whether the system and procedures are effectively applied. Thus, both the internal and independent auditor are vitally concerned with internal controls and accounting procedures. However, the independent auditor is primarily concerned with internal *accounting* controls, whereas the internal auditor is equally concerned with *operational* controls, including physical safeguards and periodical operating statements showing comparisons with prior periods and budgeted amounts. Similarly, the independent auditor must ascertain that generally accepted accounting principles are applied, whereas the internal auditor is concerned with ensuring that company accounting procedures are adhered to and improved where possible.

Secondly, in the area of financial auditing, the work of the internal auditor must complement, and not duplicate, that of the independent auditor to the maximum extent possible. This can be arranged to a large degree by co-ordinating assignments so that these two groups visit different locations or examine different segments of the work at a single location. For example, in my company, the independent auditors are prepared to rotate branch audits of affiliates with our internal auditors, providing our programme covers their minimum requirements and they can review our work and reports. When joint audits are made at the head offices of large affiliates, the work is allocated by agreement between the two groups, with varying emphasis from year to year.

"If you have come to the conclusion that my company's internal auditors and those of many other American companies do a great deal of financial auditing similar to that done by our independent auditors, but with somewhat different objectives, frequently at other locations and in greater depth - well, you are quite right. In fact, I do not recall having heard of any internal auditors in the United States who do no financial auditing. However, I think it is correct to say that the internal auditors *start* with a financial audit and go behind the accounts and vouchers to a greater degree than the independent auditors, with a view to serving management rather than offering an opinion on financial statements."

Mr Hecker considered that auditing for profit and widening their horizons, or 'operational auditing', was the basic difference between internal and independent auditing.

THE FUTURE OF INDUSTRIAL PROGRESS

'The future pattern of industrial progress' was the subject of an erudite paper given by Mr A. Quarterman, of Associated Electrical Industries, on Thursday evening at which Mr G. W. Moyse, F.C.A., President of the London Chapter, was in the chair.

Progress in technology, said Mr Quarterman, has been going on since long before the industrial revolution. The introduction of improved methods and machinery has led to advanced mechanization and we were now on the threshold of the automatic era. Automation may be defined as the integration of handling methods and processing of articles, together with the mechanization of thought processes to achieve automatic production.

The advent of these techniques has meant a completely new approach by management to the problems of design and manufacture, and we are increasingly surrounded by products which have changed their physical proportions quite radically during the last two decades.

In addition, the introduction of these techniques into existing industries requires capital investment since the human skills which were originally taken into account in organizing a factory will now be replaced by consideration of the integration of processes into a logical sequence, with the consequent need for changes in factory layout, and new plant. Nevertheless, the capital invested will secure adequate return because of increased production and greater turnover.

The high degree of integration in factories is bound to call for higher speeds of processing clerical data and for this the electronic digital computer is the most likely key to the situation.

A number of examples of the trend in industrial progress are currently available, such as the factory in the U.S.S.R. which produces 3,500 car engine pistons daily by completely automatic processes from raw material input to the finished, packed article, and requires only ten operators per shift to supervise the plant. Other examples are in railway goods wagon marshalling, modern continuous processes in the oil and chemical industries, the production of chipboard, and the production of electricity.

The speaker thought that automation was likely to be limited to certain industries, and possibly some which will be unaffected by automation are, for example, agriculture, forestry, fishing, mining and professional services.

The sociological effects of this progress will be felt particularly in education, and the progress of automation is more likely to be retarded by lack of trained technicians and managers than any other consideration. This situation will require industry to take a much larger part in education than hitherto.

In the speaker's opinion, progress will lead to more interesting employment, an increase in efficiency, cheaper goods, and less hazard and drudgery to the human operator.

WHAT MANAGEMENT EXPECTS FROM INTERNAL AUDIT

At the first session on Friday morning, presided over by Mr H. C. Booth, F.C.A., of the Manchester Chapter, Professor R. W. Revans, of the College of Technology, University of Manchester, gave a stimulating address

on 'What management expects from the internal auditor in the changing conditions of industry'.

The main agents of industrial changes were identified as the growth of science and the declining place of Britain in world markets; since, in the past, management in this country has succeeded - often to an extent unparalleled in the history of the world - without the help of the scientist there remains, in Britain, an unwillingness to admit that he has any contribution to make to the work of the manager, as such. Whereas, said the speaker, there is a great scramble to compete for the services of scientists in the laboratory or factory, there is an incomplete recognition of the validity of his methods in the strategic field. In particular, the basic criterion of the scientist, which is to ask whether his theories or principles will stand the test of experimental proof and which should be paralleled in the field of management by a respect for adequate systems of control, is frequently left unobserved. If science and invention are to multiply the scope of industry, it is imperative that management should know clearly what its own scope is and whether it is in fact doing what it sets out to do. It is not enough just to know that one is breaking even or not being defrauded by one's staff or customers; one needs to know whether one is getting value for one's expenditure, whether of time or money; one needs, not only a check of whether one's assets still exist, but whether they are being profitably used; one needs to know not merely what book entry to make of the value of one's work in progress, but what it is that determines the level of it. This is the scientific outlook on control, not simply a safeguard against malversation.

Professor Revans quoted from the official statement of the Institute of Internal Auditors that the duties of the internal auditor should be, among other things, to 'review and appraise the adequacy of operating controls'. He was whole-heartedly in support of this view and gave some illustrations of its possible application. He did not for one moment suggest that the internal auditor, as such, should, for example, recommend to management what the stock level should be, much less take a decision on the point himself. But it should most emphatically be the auditor's task to recommend what facts should be assembled, by whom, how often and to whom they should be sent, so that the operations could be adequately controlled by the management.

HOW INDUSTRIAL PROGRESS WILL AFFECT INTERNAL AUDIT

The final subject of discussion was dealt with jointly by Mr R. C. Bedford, F.C.A., and Mr S. A. Grimes, A.A.C.C.A. The chairman at this session was Mr K. Bradley, A.C.I.S., President of the Manchester Chapter.

Mr Bedford stated that the survey of internal audit in the United Kingdom made last year by the London Chapter of the Institute showed that the great majority of internal auditors have the independence which is essential to their work and sufficient scope to render the maximum service to management.

The introduction of new recording and control techniques in the office and factory may eliminate many of the human links in the chain of routine operations, and provide information that cannot be readily obtained at present. These changes should enable the internal auditor to reduce the time spent on

regular detail audits, giving him the opportunity to undertake more fundamental appraisals in the moving areas of operational significance.

In the face of stronger overseas competition it seemed inevitable that industry would tend to form into larger groups. This will increase the need of top policy management for an internal consultancy service which is competent to make independent surveys of the operating units in the group and special appraisals in the problem spots which are causing concern. Mr Bedford stressed that the internal auditor should be qualified by training and experience to give such a service, provided he can demonstrate to management that he has the capacity to do so.

Mr Grimes said that the pattern of industrial progress over the next decade had already been established. Of particular concern to internal auditors will be the following:

- (1) *Automatic productive processes.* Both analogue and digital electronic computers will be applied as control mechanisms for machine tools, flow line assembly and other repetitive processes.
- (2) *Automatic data processing.* The application of digital electronic computers to clerical functions is already well established. There will be a rapid acceleration of these principles throughout the decade.
- (3) *Operations research.* Electronic computers will be used as tools of management, using operational research techniques to provide the best possible

mathematical answers to such problems as: market research; machine shop practice – economic batch sizes and machine tool utilization; production control; stock and work in progress inventory control; business forecasting and flexible budgeting, etc.

The use of such equipment requires that internal auditors should possess knowledge of electronic computers with particular reference to systems design and programming. Automatic processing implies high speed operation with limited human intervention both in factory and office. Internal auditors should be aware of the need of high level control of such automatic processes. For example: (1) automatic productive processes, if not properly controlled by forecasting and 'feed back', may result in unbalanced and therefore uneconomic stock and work in progress; (2) automatic data processing, in the form of large-scale electronic systems, tends to dispense with the visual display of intermediate arithmetical calculations. This tendency causes audit problems where it is customary to make 'test checks' or samples to establish a pattern of arithmetical accuracy.

As regards the first example, internal auditors will require to be closely associated with budgeting and forecasting and to participate in management control functions. In the second example, internal auditors will require the automatic system to provide documentary evidence of its operation when called upon to do so, and without disruption to the data processing in progress.



AT THE INTERNAL AUDITORS' CONFERENCE

Left to right (Seated): Mr G. W. Morse, F.C.A., *President, London Chapter*; Mr J. O. Davies, F.C.A., A.C.W.A., *European Regional Vice-President*; Mr A. B. Hecker, F.C.A., C.P.A., *Vice-President, New York Chapter*; Miss E. Costello, *Conference Secretary*; Mr H. C. Booth, F.C.A., *Conference Organizer*. (Standing): Mr W. J. Smith, C.A., *Immediate Past Vice-President, European Region*; Mr R. C. Bedford, F.C.A., *Speaker*; Mr S. A. Grimes, A.A.C.C.A., *Speaker*; Mr P. Cluderay, A.A.C.C.A., *President, Yorkshire Chapter*; Mr R. G. Nicholson, C.A., *Vice-President, London Chapter*; Mr K. Bradley, A.C.I.S., *President, Manchester Chapter*.

BUSINESS EFFICIENCY EXHIBITION

A SELECTION OF THE EXHIBITS

We review below a selection of the many interesting exhibits which will be shown at the forty-seventh Business Efficiency Exhibition at Bingley Hall, Birmingham, next week.

Electronic Calculators and Computers

Of special interest at Stand 18 will be THE NATIONAL CASH REGISTER Co's latest additions to its extensive range of accounting machines. The *Sterling Compu-tronic* is the first keyboard machine able to multiply electronically in sterling, producing instantaneous multiplication at the time of posting normal records. Percentage calculations, e.g. purchase tax and discount rates, can be carried out automatically. Another feature of this machine is the memory unit which enables multiple calculations to be made involving constant factors. The *Post-tronic* is designed for high-speed accounting posting and embodies electronic circuitry for automatic pick-up of balances and form alignments. The company's *Class 42* machine will be shown operating on ledger posting routines with analysis of entries. A new *Hotel Posting* machine automatically endorses a charge voucher, posts the charge to the guest account and to the hotel tab sheet in one operation. The *Compu-matic* is a change computing register with automatic coin change dispenser, which automatically computes the change to be given, releases the correct number of coins, and totals and records on a locked-in 'audit' the items in each transaction.

FERRANTI LTD (Stand 74) have designed a small transistorized general-purpose digital computer particularly for establishments and departments which require a small, speedy, versatile and comparatively cheap machine. The *Sirius*, as it is called, is built up of plug-in units or packages, and being extremely compact may be installed in the average-sized office with little or no preparatory work. It is easy to use as numbers are represented in decimal form throughout, each decimal unit being represented by four binary digits. It is able to solve a set of twenty-seven simultaneous equations in six minutes, and is specially suitable for statistical analysis calculations, such as those carried out by the design engineer and laboratory research worker. It can also be used as an ancillary machine for a large computing installation.

INTERNATIONAL COMPUTERS AND TABULATORS LTD are showing (Stand 44) an electronic calculator with programming facilities and a magnetic drum store with a capacity of 1,050 digits, 105 words and providing facilities for extracting square roots and automatically executing reiterative operations with complete checking and marginal testing. Their latest and larger electronic computer being too big for the stand, they have organized a special car service for visitors who wish to see this equipment, which has a 4,080-word magnetic drum with 255 tracks revolving at 3,000 r.p.m. The average time for multiplication by a factor equivalent to about eight decimal digits is approximately twenty milliseconds.

Calculating Machines

Among the MADAS range of Swiss-manufactured calculating machines on Stand 14 the MULDIVO

CALCULATING MACHINE CO LTD are showing their new feather-touch, fully automatic electric calculators and their hand-operated model 10R which incorporates automatic division and a 'live' store. They are also showing the R. C. Allen range of hand and electric full-keyboard add-listing machines, and the *Ultra* simplified keyboard machine manufactured in Zürich by the Oerlikon Co.

The *Manilink* (MANIFOLDIA LTD, Stand 51) is a synchronized unit connecting a fully automatic front-feed typewriter to an electrical adding-listing machine to do the work of an accounting machine.

With the P.A.Y.E. method tax deduction now firmly established the *Payroll Machine*, made by GEORGE ANSON & CO LTD (Stand 40), is of interest to every employer, and it will, moreover, meet all the requirements of the National Insurance Act, 1959, when it comes into force next year. The individual earnings record card, payroll summary, and employee's pay statement are produced simultaneously with a single entry. The magazine incorporated in the machine houses up to 150 separate pay statements at a single load and after each entry the summary is automatically moved up to the next writing line. It is made in a number of standard sizes and one machine, style *MG.123*, is designed specially for the payment of confidential executive salaries by bankers' order. The same company's *Twintronic Book-keeper* is a combination of typewriter and adding machine designed for all accounting applications. It provides typewritten statements and computation of balances, simultaneous entry on statement, ledger card and journal with automatic alignment of all forms. The hook-up 'brain' can be instantly detached from the electric adding machine which can then be used for general purposes, and when the automatic front-feed is removed from the typewriter, this can be used for typing ordinary correspondence. The *ANSON Multi-post Machine* is designed for use on all sections of accounting work requiring two, three or more copies of the same figures and saves considerable time and clerical labour.

Punched-card Equipment

Also among the exhibits of GEORGE ANSON & CO at Stand 40 are their *Visipoint Edge Punched Cards* system. Every card has one or two rows of holes punched round the edge, each hole or group of holes representing a given subject, number or letter, required cards being selected by a process of slotting which causes them to fall out when a rod is passed through a pile of cards. The use of a hand selection frame makes it possible to select from 400 to 500 cards under a variety of different headings, while an electrically vibrated selection unit automatically ejects the cards.

A new device to simplify and speed up the plug-board procedure required in most tabulating machine systems and installations is the *Novano* system

introduced by PUNCHED CARD ACCESSORIES LTD at stand 80. It consists of a series of high-grade, clear plastic plaques, shaped and pierced to correspond exactly with various control panels. Pre-wired connector assemblies, ending in paired tubes instead of plugs, are plugged into the plaque by means of a hand tool in accordance with the appropriate function, chart or diagram. Contact between the plaque and the control panel is effected by rubber-headed pins which can be quickly unpinning and the plaque stored for future use.

Typewriters

The new UNDERWOOD *Touch-Master II* manual typewriter is said to provide the lightest touch ever produced on a non-electric machine. Among other features it includes fully visible finger-tip 'see-set' margins, automatic paper centring scale, and new gliding ribbon-spool covers which give a '10 seconds' ribbon change. (Stand 96.)

Of particular interest on the IBM stand (Stand 73) is an *Input/Output Writer*, a remote control typewriter for attachment to any make of digital computer, and for other types of equipment requiring printed output. Automatic serial output takes place at a speed of ten characters a second and the machine fills the need for a printing unit that can automatically receive and/or transmit data.

Addressing and Printing Machines

The UNDERWOOD *Model 40 Electric Printing Machine* is operated entirely by electricity. Designed specifically for the rapid, completely automatic output of neatly printed documents, its features include automatic listing, selection, printing, lister return, and repeated facilities. The *Model 90m Electric Embossing Machine* makes the preparation of addressing plates quick and easy, being equipped with a finger-tip controlled electro-magnetic embossing mechanism. It can be fitted with either *Elite* or *Pica* dies, has the complete alphabet in both capitals and lower case, two sets of numerals and a full range of punctuation marks and standard abbreviations. (Stand 96.)

Duplicating and Copying

At Stand 66, COPYCAT LTD are displaying a comprehensive range of models including the new *Copylith* offset litho plate specially made for them by KODAK LTD, together with the new *Copycat O.L. 1418* machine which can be used both for offset litho plate making and for normal photocopying. The *Pacemaker* designed for use on wall, desk or shipboard or in transit, is a portable machine speedily producing copies from any type of original and from any colours, while the *Copycat Systematic*, which is fully automatic and can produce up to twenty copies a minute, has a unique *printform* attachment for eliminating pre-printed forms, e.g. order-invoicing, factory forms, etc.

DIPTO (BRITAIN) LTD specialize in direct process spirit duplicating equipment and related supplies. Their latest small office duplicator, *Model 90-20*, can produce 120 copies per minute and is hand-operated with a single drum revolution per minute. Either automatic or hand-feed operation is available on this machine. The 18-inch wide drum duplicator, *Model 180-70*, is electrically operated and requires the minimum of operator attention. The ream feed saves time on long-run duplicating, and has an automatic

change-over from intermittent to continuous feeding. *Model 90-35* is foot-operated, thus leaving the hands free for rapid form feeding. It is fitted with a new *Sure-Feed* tray and single sheets are fed so accurately that even pre-collated sets of sales order/invoicing forms can be automatically fed without fear of mistake. They are also showing a new systems machine, *Model 140-75*, which has a conveyor-belt delivery of duplicated forms into self-stacking upright receiving tray. (Stand 46.)

The range of office equipment on show at BLOCK & ANDERSON'S stand (Stand 75) includes the *Banda*, a master-spirit duplicator which can speedily produce copies in any or all of seven colours, and *Bandevelop* photocopiers and equipment, which within seconds produce an accurate, permanent black-on-white copy. The *Twin* is designed to handle single sheet originals and the *Book Twin* for documents and books. The *Microbox* produces microfilms ready for filing in any desired order within six minutes.

Form-feeding and Continuous Stationery

The latest *Paragon Fanfold Form-Feed* will be demonstrated by LAMSON PARAGON LTD at Stand 64. Here the *Parabar Form Feed* will be of particular interest to medium-sized firms. The above-platen *Formaliner* is another of their recent introductions for electric typewriters.

The *Manibar* and *Maniframe* attachments made by MANIFOLDIA LTD enable continuous length stationery in interfold style to be used with any standard typewriter, and eliminate the handling of carbon. (Stand 51.)

A recent addition to the manufactures of A. J. CATLIN LTD (Stand 79) is the *Cat-Quick* attachment which enables continuous stationery to be used on ordinary typewriters without modifications or putting an extra load on the carriage. The stack of forms is carried on a trolley running on its own rails behind the typewriter, and a hinged spring-loaded frame automatically pulls the carbons back to the next set of forms when a completed set is removed. The time saved in repetitive jobs may amount to over 50 per cent.

Collating

A collator for push-button collating is a new machine shown by ADDRESSOGRAPH-MULTIGRAPH LTD (Stand 67). From the loading of the suction-feed, which accommodates some 5,000 sheets of paper, to the extraction of the collated sets from the 50-compartment rotary drum the *Model 650 Multigraph Accra-Feed Collator* is completely automatic. An electronic eye prevents missing sheets in sets; a photo-electric scanner detects and eliminates blank sheets; a double-sheet eliminator rejects doubles; an electronic shut-off stops the machine when the job is completed. It can be equipped to handle sheets ranging in size from 4 inches wide by 6 inches long up to 11 inches wide by 14 inches long, and the number of sheets and completed books is controlled by a sheet counter and book counter.

Dictation

The dictation-by-telephone system made by the AGA DICTATING MACHINE Co has been further improved. The aim is to provide a fool-proof system designed to conform to the requirements of the user and it now caters for increases in numbers of telephones, movements of individuals within a building, changes in the work load of individuals, and allocation of

priority machines. With *Agavox Teledictation* the dictator has complete remote control, and the push-button telephone is of a new pattern with the controls more simply and logically arranged. (Stand 22.)

At Stand 63, EMI SALES & SERVICE LTD display their recently introduced *Minifon* recording and dictating equipment. The *Minifon 'pocket memory' P55* is now joined by the *Attaché* and the *Minifon Office*. While it is claimed that the three machines together cover every possible dictating and recording requirement, each instrument is particularly suitable for one type of work. For long recordings the *P55* will take up to five hours on one small reel; the *Attaché* has special advantages for ordinary letters, notes and instructions, and the *Office* is a full-scale dictating machine. Tape magazines are interchangeable between the *Attaché* and *Office*.

Furniture and Safes

In the wide selection of equipment shown at Stand 69 by RONEO LTD are their *Flushline* desk and table range which has undergone a number of improvements, including simple height adjustment devices. The *Flushline* partitioning has undergone dimensional adjustments in keeping with the recommendations of the Modular Co-ordination Society and the British Standards Institution, and in addition now offers a choice of seven different panels and a frame partition which will accommodate inserted panels in a variety of materials. Specially designed heating and improved methods of ventilation are now available. Additions to the *Flushline* range are filing cabinets and cupboards, on show for the first time. A new feature is the suspension slides which enables both flat-topped and tabbed drawer filing systems to be used by means of a simple vertical adjustment.

CHATWOOD-MILNER LTD (Stand 30) have a number of new exhibits in their range of security and fire-resisting equipment. A *Microfilm Cabinet* with extra insulating material gives protection against fire to microfilm and electronic computer film, the inside temperature being prevented from rising above 200° F. This is obtainable in three sizes. A mobile fire-resisting *Record Container* affords full protection against fire for all types of cards used in machine posting installations at point of use, and the new *Duplex Drill Resisting Safes* give protection both against burglary and fire. They incorporate drill-resisting hardened steel plate both in the body of the safe and the door, and an automatic relocking device ensuring that the door remains securely locked in the event of the normal lock being blown off by explosives.

Registers and Records

Among the exhibits by MANIFOLDIA LTD at Stand 51 are the *M.P. Autographic Counter Register* made in two sizes for stationery 3 inches by 4 inches, 6 inches by 4 inches, and 8 inches by 5½ inches. One turn of the

handle produces the written form for distribution, files the remaining copies in numerical order, and brings the next set of forms ready for use with the carbons already interleaved. All models have a locked filing compartment. There are also *M.P. Portable Registers*, for on-the-spot recording, made in two sizes and up to four copies can be obtained in each case.

On Stand 64, LAMSON PARAGON LTD are showing their *Paragon Security Register* range, and also models designed to handle cash sales, invoicing, control of goods inwards and stores issued. Clear copies without waste are ensured in the latest development. One ejection of a written set of forms automatically moves the carbon a fraction of an inch, steadily changing the carbon surface.

Miscellaneous

A number of new lines, as well as their well-known equipment, are being shown by PERCY JONES (TWIN-LOCK) LTD (Stand 2). The *Twinlock College Books* are made up in one piece, bound in dark blue plastic material, and being able to withstand all normal wear are particularly suitable for scholastic and commercial use. A piece of equipment which will speed up cross-casting is the *Summary Board*, which does away with the necessity of pre-copying totals and thus both saves time and avoids transcription errors. The *Beckenham Ledger* is a lightweight steel-back ledger of modern design, and is made in three sizes, each holding 550 sheets and index.

Cheque Signer

What is claimed to be the fastest cheque-signer in the world is *Model T141*, exhibited for the first time in Europe at Stand 62 by HALSBY & Co LTD. In the light of more than twenty-five years' experience the Todd Division of the BURROUGHS CORPORATION has redesigned the well-known *Model 31 Protectograph Cheque Signer* to produce this new machine. Among the improvements incorporated are the *Model T144 Feeder* enabling cheques to be automatically or semi-automatically fed, as desired; an easily set dating device; a re-designed inking system and inks which cannot be smudged, altered or erased; and the grouping of all the operating controls on an easily accessible control panel at the front of the machine which signs over 5,000 cheques or other documents per hour.

Data Processing

The UNDERWOOD *Data-Flo* series of equipment enable - from the production of the 'key' original document - all other forms, results and statistics to be completed automatically through the use of programming facilities combined with common language 'tapes' or punched cards which are produced automatically and create the results required without further effort. The systems are on the 'building block' principle and can be designed to cover every conceivable paper-work problem from the simplest to the most complex. (Stand 96.)

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REVALUATION OF ASSETS

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Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Examination Results Delayed

In view of the number of candidates sitting at the May 1960 Intermediate and Final examinations of the Institute it has become necessary to vary the date on which results will be posted to candidates and the date of publication of results at the Institute. Each candidate may now expect to receive by post on Saturday, August 6th, 1960, a notice informing him of his pass or failure. The full list of successful candidates will be exhibited at the Institute offices, Moorgate Place, at noon on Tuesday, August 9th, 1960, and will be published in *The Accountant* of August 13th.

Candidates at the May 1960 Final examination of the Society are unaffected. They may expect to receive their results on Saturday, July 23rd, 1960, as previously announced. The full list of successful candidates will not, however, be exhibited until Tuesday, August 9th, 1960.

PROFESSIONAL NOTICES

MESSRS ARTHUR GODDARD & Co, Chartered Accountants, of 46-47 London Wall, London, EC2, announce that Mr MICHAEL HOLT, M.A., LL.B., A.C.A., has been assumed as a partner as from April 1st, 1960. The style of the firm remains unchanged.

MESSRS STOTHERT & CHAPPELL, Chartered Accountants, announce that the partnership has been dissolved by mutual consent at April 30th, 1960. Mr M. C. STOTHERT, F.C.A., and Mr J. G. PEARSON, F.C.A., will continue to practise at Wimborne House, Richmond Hill, Bournemouth, under the style of STOTHERT & PEARSON, whilst Mr W. P. L. CHAPPELL, M.A., F.C.A., will practise at 46 West Borough, Wimborne Minster, Dorset, in his own name.

MESSRS WALTER HUNTER, BARTLETT, THOMAS & Co, Chartered Accountants, of Newport, Mon., announce that they have admitted into partnership Mr GERALD DEVINS, F.C.A., who has been a member of the staff for several years. The name of the firm remains unchanged.

MESSRS WELCH & PARKINSON, Chartered Accountants, of 13 Rumford Street, Liverpool 2, announce that, as from April 1st, 1960, they have admitted into partnership Mr VICTOR ALBERT SOLA, F.C.A., who has been on their staff for some years. The name of the firm remains unchanged.

Mr D. L. JONES, F.C.A., practising as ARTHUR GAIT, JONES & Co, Chartered Accountants, of 2 Banesswell Road, Newport, Mon., announces that as from May 1st, 1960, he has taken into partnership Mr H. JOHN RYAN, A.C.A., and Mr H. MICHAEL GWYTHYR, A.C.A. The style of the firm remains unchanged.

MESSRS SPICER & PEGLER, Chartered Accountants, of 19 Fenchurch Street, London, EC3, announce that Mr F. A. SIBLEY, F.C.A., who has been a partner in the firm for the past twenty-two years, has retired as from April 30th. The business will be carried on by the remaining partners.

MESSRS RUSSELL TILLET & Co, Chartered Accountants, of London, Manchester and Bradford, announce with regret the death of their senior partner, Mr RUSSELL TILLET, F.C.A. The practice will continue to be carried on by the surviving partners under the same name as hitherto.

Appointments

Mr Harold Evans, F.C.A., has been appointed chairman of Dufay Ltd.

Mr N. O. Lance, A.C.A., has been appointed chief accountant of British Uralite Ltd.

Mr E. A. Ward, A.C.W.A., has been appointed secretary of Lancashire Dynamo Electronic Products Ltd.

Mr F. J. A. Mangeot, F.C.A., has been appointed commercial director of Dowty Rotol Ltd.

Mr R. Bentley, F.C.W.A., A.M.B.I.M., has joined the board of Partridge & Love Ltd.

OBITUARY

Mervyn Bell, F.C.A.

We have learned with regret of the death in Dublin last Saturday after a short illness of Mr Mervyn Bell, F.C.A., senior partner in the firm of J. A. Kinnear & Co, of Dublin, Mullingar and Waterford.

Mr Bell, who was 55, was a member of the Council of The Institute of Chartered Accountants in Ireland to which he had been co-opted in 1957 under the terms of the Scheme of Integration between the Institute and The Society of Incorporated Accountants. He was a member of the committee of the Dublin Society of Chartered Accountants.

Admitted to membership of the Society in 1933, he became a partner in Messrs Kinnear & Co in the following year. He was elected to fellowship of the Society in 1937 and was a member of the Society's Council. For twenty years he was a member of Council of the Irish Branch of the Society and President of the Branch from 1949-51. In 1951 he was appointed a member of the Company Law Reform Committee in the Republic of Ireland.

Apart from his professional practice, Mr Bell was a director of a number of companies and was interested in education, being chairman of the board of governors of Sutton Park School and registrar of High School, Dublin. His other interests included music and sport.

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COMPANIES TO BE INVESTIGATED

Mr Duncan McKellar, O.B.E., C.A., a partner in the London firm of Messrs Thomson McLintock & Co, Chartered Accountants, and Mr Malcolm John Morris, Q.C., have been appointed by the Board of Trade, under Section 165 (b) of the Companies Act, 1948, as inspectors to investigate the affairs of Val D'Or Rubber Estates Ltd, Tremelby (Selangor) Rubber Co Ltd and The Anglo-Sumatra Rubber Co Ltd.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Mr Rupert Walton, T.D., F.C.A., A.C.I.S., F.T.I.I., senior partner in the firm of John Gordon, Walton & Co, Chartered Accountants, of Leeds, has been elected President of The Leeds, Bradford and District Society of Chartered Accountants for 1960-61.



Mr Rupert Walton

Mr Walton, who served his articles with Messrs John Gordon & Co, Chartered Accountants, of Leeds, was admitted an Associate of the Institute in 1929 and was elected to Fellowship ten years later. He became a partner in his present firm in 1934 and in the firm of Andreae & Fingland, Chartered Accountants, of Nassau, Bahamas, in 1953. He served on the Taxation and Research Committee of the Institute from 1950-54 and has been a member of the Taxation and Research Committee of the Leeds, Bradford and District Society since 1948.

Mr Walton, who is also a member of the Canadian Institute of Chartered Accountants, served in the Royal Artillery from 1939-49 and is a director of the North Eastern Gas Board and many other companies.

Other officers have been elected for the ensuing year as follows:

Vice-President: Mr J. S. Heaton, J.P., F.C.A.

Hon. Treasurer: Mr W. W. Powell, F.C.A.

Hon. Secretary: Mr G. D. Paterson, M.A., F.C.A., c/o Central Bank Chambers, Infirmary Street, Leeds, 1.

Report for 1959

The report of the Society for 1959 shows that membership at the year-end was 1,064, an increase of nine over the previous year's total.

During the year, lectures were given in Bradford and Leeds and thirteen luncheon meetings were held, eight in Leeds and five in Bradford, the latter meetings being followed by discussions on matters of current

professional interest. Three meetings of the Management Accounting Discussion Group were held and a very successful residential course at Harrogate in November was attended by sixty-eight members.

The Huddersfield, York and Halifax groups continued to hold luncheon meetings during the year.

CHARTERED ACCOUNTANTS' WEEK-END CONFERENCE

The first week-end conference to be held at a major university by a firm of chartered accountants took place recently at University College, Oxford, arranged by Messrs Thornton Baker & Co.

The success of the course was marked by the easy informality of the proceedings. Talks were given by partners and members of the staff, their subjects covering 'The National Insurance Act, 1959, and contracting-out'; 'Office audit and general administrative procedure'; 'Back duty investigations'; 'Insolvency and receivership procedure'; 'The Stock Exchange and its operation'; and 'Executorship matters', together with, on the Saturday evening, 'a bed-time talk by Sarson of Oxford on the main proposals of the Budget speech'. The talks were followed by discussion and questions.

Sunday morning was left free: those thinking they could play golf took part in a competition at Frilford Heath, while others went to church or visited some of the colleges. It was altogether a most enjoyable and successful occasion.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The annual general meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of The Institute, Moorgate Place, EC2, on May 31st, at 6 p.m.

NORTH LONDON DISCUSSION GROUP OF CHARTERED ACCOUNTANTS

The final meeting of the group will take place at *The Russell Hotel*, London, WC1, next Wednesday at 6 p.m. for 6.30 p.m. The annual general meeting will be held and Mr A. R. English, F.C.A., will lead a discussion on 'The Finance Bill'.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meeting of the London Students' Society will be held next week:

Wednesday: Lecture, film and demonstration of Powers-Samas punched card accounting (limited number).

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Arbitrary Taxation

THE anxieties of the taxpaying public aroused by the text of the new Finance Bill centre mainly around clause 26 which gives to the Inland Revenue the arbitrary power to extract tax at their discretion in the by no means unusual circumstances laid down in the clause. It is to be expected that the clause will receive a severe handling when it is reached on the committee stage of the Bill, perhaps more from Government supporters than from the Opposition (some amendments have already been tabled by the chairman and other officers of the Conservative back bench finance committee). In the meantime it is useful to consider what the clause, in its present form, as extended by the interpretation provisions in clause 40, seeks to do.

Clause 26 cannot apply unless there has been a 'transaction in securities', defined as including transactions of whatever description relating to securities. These include in particular:

- (i) the purchase, sale or exchange of securities;
- (ii) the issuing or securing the issue of, or applying or subscribing for, new securities;
- (iii) the altering, or securing the alteration of, the rights attached to securities.

'Securities' are defined to include stocks and shares, and references in the Bill to dividends include interest.

Another condition to be satisfied before the clause can apply is that in consequence of a transaction, or of the combined effect of more than one transaction, a person is in a position to obtain, or has obtained, a 'tax advantage'. This is defined as

- (i) relief or increased relief from income tax; or
- (ii) repayment or increased repayment of income tax; or
- (iii) the avoidance of an income tax assessment; or
- (iv) the reduction of an income tax assessment.

Income tax, of course, includes surtax. It is to be observed that the person obtaining the tax advantage need not have been a party to the transactions or any of them and in this respect the clause is reminiscent of Section 412 of the Income Tax Act, 1952, which provides for assessments on persons who benefit from transfers of assets abroad effected by other persons. Whether a transaction by a father which resulted in the clause applying to his infant son would also be treated as a settlement on the son is an interesting question, on which some guidance may be obtained from the decision in *Houry v. East African Income Tax Commissioner*.¹

Before clause 26 can apply, the tax advantage must have arisen in one or more of the following circumstances; namely, that in

¹ See *The Accountant*, November 21st, 1959, page 476.

connection with the distribution of profits, income, reserves, or other assets of a company (including any body corporate) the person in question:

- (a) being entitled to recover tax in respect of dividends received by him, receives an 'abnormal' amount by way of dividend; or
- (b) becomes entitled, in respect of securities held or sold by him, to a deduction in computing profit by reason of a fall in the value of the securities resulting from (i) payment of a dividend on them or (ii) from any other dealing with any of the company's assets; or
- (c) receives assets 'representing' (i) the value of assets which are available for distribution by way of dividend, or (ii) the value of assets which would have been available for dividend apart from anything done by a company, or (iii) the value of trading stock of a company, provided that the person receiving the assets does not pay or bear tax on them as income.

A dividend is 'abnormal' if it substantially exceeds a 'normal' return on the price paid for the securities. When the dividend is at a fixed rate it is also abnormal if it substantially exceeds the amount referable to the period during which the recipient held the securities - assuming an even rate of accrual (clause 26 (7)).

'Trading stock' has the same meaning as in Section 143 of the Income Tax Act, 1952, i.e. property of any description which is either

- (x) sold in the ordinary course of the trade or would be so sold if it were mature or its manufacture, preparation or construction were complete; or
- (y) materials used in the manufacture etc. of property within (x).

The above three circumstances are the classic 'dividend-stripping' circumstances. The one set out in (a) applies where the person is entitled to recover tax by reason of some exemption (as for example a charity) or of the right to set off losses against profits. If, in connection with the sale or purchase of securities, followed by the purchase of the same or other securities, the person in question is within (a) or (b), that is an additional circumstance in which the clause can apply.

Assuming that all the above conditions are satisfied, clause 26 (3) empowers (but does not

require) the Inland Revenue to issue a notice in writing to the person, specifying the transactions and providing for one or more of the following adjustments:

- (i) an assessment;
- (ii) the nullifying of a right to repayment;
- (iii) requiring the refund of a repayment already made;
- (iv) computing or recomputing profits, or liability to tax, on a basis specified in the notice 'as may be requisite for counteracting the tax advantage obtained or obtainable'.

There is no general obligation on the taxpayer to include in his return any potential liability under clause 26 and therefore the Inland Revenue will have to ferret out such liability themselves. However, clause 27 gives them wide powers to obtain information. That clause applies, *inter alia*, where it appears to them that by reason of any transaction clause 26 applies to any person. Under clause 27 they may require him to furnish information in his possession with respect to the transaction, being information as to matters specified by the Inland Revenue which are relevant to the question whether directions should be made under clause 26.

The taxpayer can escape clause 26 if *he* shows *both*

- (i) that the transactions were carried out either for 'bona fide commercial reasons' or in the ordinary course of making or managing investments; *and*
- (ii) none of the transactions had as its main object, or one of its main objects, to enable tax advantages to be obtained (clause 26 (1)).

These conditions ought perhaps to be alternative ones. The clause is also excluded if the time when the person was first in a position to obtain the tax advantage fell before April 5th, 1960.

In view no doubt of the awful uncertainties to which the clause will give rise in the minds of taxpayers who are still rash enough to enter into transactions with securities, clause 26 (6) provides a possibility (it is no more) of obtaining a clearance for a transaction or proposed transaction. He can give particulars to the Inland Revenue and if (this is the important word in the sub-clause) they are satisfied that the transaction 'as described in the particulars' is such that no

directions under the clause ought to be given, they are to notify the person accordingly, whereupon clause 26 shall not apply.

The utility of clause 26 (5) is somewhat impaired by a number of considerations. No time limit is imposed on the Inland Revenue for expressing themselves satisfied, nor apparently is there any redress if they decline to be satisfied even by the most cogent evidence put before them. Moreover, even if clearance is given, it will be void if the particulars given do not make full and accurate disclosure of all facts and considerations relating to the transaction which are material to be known by the Inland Revenue. Finally, clearance under clause 26 (6) in respect of one transaction will not clear anyone in respect of transactions which include that and other transactions. It follows that in view of the extreme vagueness of clause 26 generally, clearance will hardly be worth seeking, apart from the invitation which application for it would give to the Inland Revenue to investigate the applicant's affairs.

A right of appeal to the Special Commissioners is given to any person in respect of whom directions under clause 26 have been given. He

can appeal on two grounds: that the clause does not apply, or that the adjustments directed are inappropriate (clause 26 (4)). The Special Commissioners are not in this instance the final arbiters on facts, any more than they are on law. If either side is dissatisfied with their determination that side can require a rehearing by a new tribunal. This will consist of the chairman of the Board of Referees as chairman, and two or more persons having special knowledge of, and experience in, financial or commercial matters. Appointments to the tribunal will be made by the LORD CHANCELLOR.

The machinery for appealing against directions will be the same as that laid down by Section 247 of the Income Tax Act, 1952, in relation to appeals against surtax directions with the necessary modifications (clause 26 (5)). It seems, therefore, that the burden of proving that the taxpayer is *prima facie* within clause 26 will be on the Inland Revenue.

Assuming the clause is passed unamended, everything will depend on the extent to which the Inland Revenue use, or threaten to use, their wide powers under it; and this is, perhaps, the main criticism of the clause.

The Twilight of the Shareholder

WHERE SHOULD AUTHORITY DWELL?

by A. H. BOULTON, LL.B., F.C.I.S.

THERE is at least one British company with more than 300,000 names on its register of members. There are dozens with more than 50,000, and hundreds with more than 5,000. Yet the annual general meetings of companies such as these are attended by a mere handful of people. Subtract from those present the directors and their friends, members of the staff concerned with the mechanics of the meeting, the solicitors, the auditors, and the representatives of the Press, and who is left? Hardly enough people, sometimes, for proposers and seconders to be found for the formal resolutions, to pass which is the reason for the meeting being held.

This is not really surprising. Most shareholders have something better to do than to attend a meeting at which all that can possibly be done, apart from the fruitless airing of

grievances, is to approve decisions already taken. Everybody knows that when real vacancies occur on the board they are filled by co-option; and the amount of the dividend has been decided by the directors and most frequently cannot, under the articles of association, be increased. Even if one had the idea of changing the auditors, as the law now stands it cannot be done without an elaborate routine. All that is left is the vote of thanks, and nobody is likely to attend a meeting for that.

'A Solemn Farce'

No, it is not to be wondered at that the annual general meeting is a solemn farce, attended by only a few shareholders, quite unrepresentative of the body of members nor that, when considered against the volume of work that leads up to it—the preparation of the annual report and accounts, and the subsequent preparation and filing of the

annual return – it seems something of an anticlimax. Such a position would be merely funny if it were not for the fact that this meeting is legally the authority which approves, in retrospect, all that has been done in the previous year, and from which stems the extension into the future of the powers of the company's executive. All of which, taken together, is absurd.

This is not a new state of affairs. More than a hundred years ago, when companies were relative new-comers into the industrial and commercial scene, so suspect by the purists that eminent lawyers were still fighting to keep general company legislation off the statute book, Herbert Spencer could fulminate in the *Edinburgh Review*:

'Proprietors (i.e. shareholders) instead of constantly exercising their franchise, allow it on all ordinary occasions a dead letter: retiring directors are so habitually re-elected without opposition and have so great a power of insuring their own re-election when opposed, that the board becomes practically a close body; and it is only when the misgovernment grows extreme enough to produce a revolutionary agitation among the shareholders that any change can be effected.'

It is therefore clear that the present twilight of the shareholder is but the twilight at the end of a murky day, and that not only is the annual general meeting a solemn farce today, but it has never been anything else.

Why should this be so? The reasons can be sought in psychological and economic facts and in legal theory. In psychological facts because, as has been said, there is no earthly reason why shareholders should waste their time; in economic facts because, as can be shown by basic statistics, the average investor holds shares in a number of different companies, and has not sufficient interest in any one to regard it as *his* company, and because, in any case, his purpose in going into equities at all is less to be interested in the government of companies than to achieve a capital gain by shrewd buying and selling.

An Accident of History

The reason in legal theory, though more recondite, is important at a time when company law is again being subjected to critical scrutiny. It is that our present theory of the company is the result of the confluence of two quite different ideas and that, by an accident of history, the wrong one became uppermost. Those two ideas were, respectively, the company as a creation of the law, and the company as a glorified partnership. In the cases from *Salomon v. Salomon & Co* onward, the first principle has been recognized

and followed. But in the structure of the company, in the machinery of its supposed government, and in the terminology of the successive Companies Acts, the second has held the field. So we are committed to the fiction of the company as a large and democratic partnership and to the contrary fact of boards of directors being really subject to no effective control of the shareholders and merely using the handful who attend the meetings as a convenient rubber stamp. And from the gulf between fact and fiction has come, amongst other things, the present spate of take-over bids.

From time to time, a number of analyses have been made in order to answer the question 'Who owns our public companies?' Metal Box and A.E.I. have been the subjects of such surveys in *The Financial Times* in recent years. The one fact that emerges is that at the present time, the folk who alone are able to be the real arbiters of destiny in virtually every large public company, if they cared to use their power, are the institutional investors – the directors of the insurance companies and the large investment trusts. They do not often show their hand, preferring to remain in the background, yet they are in a position to deploy such astronomical numbers of votes that in competition with them, only a superhuman effort could muster a worth-while collection of individual shareholders.

Gentle Giants

Now it may be freely admitted that if we are to have our public companies at the mercy of sleeping giants we could hardly hope for any gentler, more honourable or more respectable giants than these. But to make such an admission is not to acquiesce in the system that has created the position as it is. Suppose the giants woke up in a bad temper? We have sometimes heard political rumblings hinting at the convenience of national control of the life funds.

Perhaps the time has come for it to be frankly recognized that since the vast inchoate and apathetic mass of shareholders has shown itself neither able nor willing to exercise the power vested in it, serious thought should be given to the theory of the matter, to the essentially ethical question of where the ultimate authority to appoint and dismiss directors *ought* to reside. That the question has rarely been considered objectively is due to the fact that whilst one major political party is still bemused by the theory of collectivization and State control, the other, seeing all sorts of dangers in such a

development, clings to the *status quo*. Because of this it escapes attention that the thinking that lies behind the idea of shareholder control belongs to the epoch that produced the first Companies Act, the middle of the nineteenth century. Politically we moved away from the principle that the right to vote stemmed from property ownership alone three-quarters of a century ago.

Fount of Authority

The opportunity may now occur to discern that however those who rule our great companies from the boardrooms may historically have derived their power and prestige, the fact is that these companies exist today as entities in their own right, and that within them the directors form a self-perpetuating organ of management, fashioning policies and making decisions not in the interest of shareholder or employee or consumer or public as such, but of the *company* conceived as a living and continuing entity. It is right that it should be so. Companies go on, and for the most part go on successfully, not because they are subject to the oversight of shareholders in general meeting, but because ways have been found of rendering such oversight ineffective.

The question 'Where should authority dwell?' is an ethical question, and can be answered only

by asking another, 'Who benefits by good management and suffers by bad?' The answer is, admittedly, the shareholder; but it is also the employee, the consumer, and the community at large. If our great companies are to continue to maintain their honourable development and to serve us as a people, some way should be sought to express in their organic structure, the confluence of these four interests in the fount of authority.

Co-partnership is one step, but only one, and partial. Its failure to catch the imagination more than it has done is due to its being only a partial solution. The outstanding attempt to view the whole problem and to provide a whole answer was that of Abbe in the Zeiss Foundation, an experiment made many years ago in Germany and described in considerable detail by Goyder in his *Future of Private Enterprise*. Other smaller attempts have been made from time to time, such as that of the social idealist, Scott Bader, in the 'Commonwealth' that bears his name. In each of these a deliberate attempt was made to write a constitution around aims ethically conceived and related to a broad view of economic and moral responsibilities, and each involved a voluntary surrender of rights by an idealist owner. It is probable that many more experiments are needed.

Running the Smaller Office

3 — STAFF REQUIREMENTS

by An O. & M. ADVISER

MEASURING the optimum staff for a given flow of work is not easy in the office. The further work is removed from routine the more difficult does it become. Nevertheless, it is possible by various methods by get a better idea of what a staff is capable of coping with and it can be done without a revolution taking place. It is not advisable to begin by announcing that a general systematic onslaught is to be undertaken on office procedure. It is better to hurry slowly, tactfully and also to make quite clear that the examination is to be made of procedures as well as of people at work.

Previous articles in this series appeared in the issues of April 23rd and 30th.

If a systematic but tactful study is made of certain office methods as outlined in the first of these articles and a thorough study made of forms and the like (a matter which will be discussed in a later article) a good deal of important information is likely to be thrown up about inefficient methods of doing jobs and the pace of working of various people.

But one may wish to go on from there. Most persons in supervisory jobs in office work have formed some sort of idea as to how much work a certain kind of clerk or typist can get through in an hour, a day or a week. One has to start with personal judgment. There is no ready-made 'scientific' standard level of output which a clerk in a given job can do. All clerical work is dependent on the immediate circumstances of the job. One is therefore faced, in effect, with starting with one's own ideas of loading the staff according to judgment and using certain techniques to improve upon it.

It may be, for example, that delays or bottlenecks are continually building up in certain parts

of the office which defy solution. What can be done to compare one's own standard with something more objective? There is rarely scope in the small office for suddenly introducing anything so esoteric as a stop-watch or methods of 'work study'. One has to rely instead on getting the staff's co-operation in keeping a few simple records over a period of time.

Timing Methods

The first method which may be tried is simple timing. For this to be used effectively it should be tried out on a study or process of work lasting for about half an hour. This avoids timing complications on stopping and starting and allowances for fatigue. Choose, therefore, a readily identifiable piece of office work of this duration. Then choose a worker of average skill (by your judgment) and explain what you want him to do and why. Check to see that the work you give him, assuming that it is, for example, filling in forms such as invoices, is of average complexity. Then keep a record of how long he takes to do the job, repeating the exercise with other workers or with the same one. If the times differ by more than 10 per cent check to find out why. Then fix the standard amount of time to be taken accordingly.

A second method is called averaging and is a little more ambitious. This can be used when you want to find a standard time or amount of work over several jobs or over a longer period of time. Here again explain what you are going to do and why. This is even more important than with simple timing because you are going to ask clerks to keep records themselves over a period of time. Draw up a form with headings such as those which are set out below. Ask the clerks to fill in columns 1, 2, 3, 5 and 6 themselves. Columns 4 and 7 should be filled in by someone in a supervisory capacity who can check at the same time that the forms are being correctly filled up.

RECORD OF WORK

Name:

Department:

Day	Time		Mins.	Type of work and remarks, e.g. special circumstances	No. of documents	Mins. per document
	from	to				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	9.15	9.25	10	Getting ready	—	—
	9.25	10.05	40	(describe first job)	10	4
	10.05	10.35	30	(describe second job)	12	2.5

Records should be kept long enough for reasonable average times to emerge and to take account of any factors which may have operated owing to temporary, disruptive conditions. You then have a record of times taken by different

people on different work through the day and how much time is taken up getting ready between jobs. Care must be taken that the batches of documents are fairly distributed to get an average picture over a period of time.

Activity Sampling

A more complicated technique to use than either of these two is activity sampling. This involves a good deal of work and possibly some statistical advice. Activity sampling is a way of doing scientifically what we all do very unscientifically every week of our lives. We all tend to use spot judgments about whether staff are working hard or not. We notice someone whom we think is idling and we watch him, thus possibly building up a prejudice. This prejudice may be particularly unfounded if we watch him at exactly the same time each day. Sometimes this happens when we do a routine office inspection at a certain time of the day. Activity sampling consists of taking a large number of random spot checks to get a good sample on which to base conclusions.

Two warnings are necessary about its use. It is advisable to get statistical advice on the number of observations to be made; as a generalization do not start activity sampling unless you are prepared to have something like 500 observations recorded. Secondly, be quite sure what you are trying to find out. Do not try to run two investigations on the one sample. Decide whether it is to be a check on lack of work, absence from desks, bottlenecks in the flow of work or whatever it may be, then draw up a list of activity headings with a code letter on these lines:

- A not in office
- B there but inactive
- C manual clerical work
- D talking about work
- E operating electrical calculating machine
- M operating manual calculator
- L using listing machine
- T operating typewriter
- P on the telephone

These must be memorized. Next draw up an observations sheet allowing for, say, 30 to 40 observations over one day on six people. Make a 'tick' at each observation in the right place. After the period of time necessary to get the sample recorded has elapsed make a summary sheet on each person. Make out a percentage sheet showing total observations on each person as percentage of total observations. You now have a comparative check on each person's performance for the activity you are investigating.

The Manager's View of Accountancy

by H. B. JOHNSON, A.C.I.S., A.M.B.I.M., M.O.M.A.

1. DEVELOPMENT

I DO not think that a few years ago you would have found the term 'management accounting' in any textbook on accounting or costing, yet fundamentally, it is not new nor has it been developed overnight. It has been practised in one form or another for some hundred years, during which time the now well-tried techniques known to us – budgetary control, standard costing, marginal costing, etc. – have been developed. Where previously, however, these techniques sometimes existed in a vacuum so to speak, management accounting requires their complete integration and thus, as such, it is becoming codified and defined.

That the need for this has long been felt is shown by the following extract from an article which appeared in *The Accountant* not long ago by a general manager of the Peninsular & Oriental Steam Navigation Co, himself a chartered accountant,¹ who quoted from a manuscript written in 1875 by Sir Thomas Sutherland, then managing director of the company, in which he said:

'The present system of book-keeping in the accountants' department is admirably suited for the end it has in view, viz. that of ascertaining once a year or oftener the profit upon the company's transactions; but it is evident that in a business of this kind much detailed information is necessary regarding the working of the company, and this information should be obtainable in such a practicable form as to enable the directors to see readily and clearly the causes at work in favour of or against the success of the company's operations.'

That was over eighty years ago.

It is generally accepted, I think, not only in accounting, but in most forms of human activity that what is the best practice of a very few companies or individuals in one decade becomes the accepted standard for all in the next. Thus, so far as published accounts are concerned, the Companies Act, 1948, only made obligatory that form of presentation and disclosure of information that the most enlightened and progressive companies had been following for many years. In the same way, the techniques of accounting and costing have been steadily improved over the past thirty years and the emphasis has gradually shifted from cost recording and ascertainment, whether of product or process, to the use of accounts and costs as a means of control.

The substance of a lecture given to management students at Glasgow University. The author is a supervising consultant of Associated Industrial Consultants Ltd.

¹ 'There is no new thing. . . . An early treatise on accounting for management', by Chas. W. Aston, A.C.A., *The Accountant*, November 17th, 1956.

2. OBJECTS

If accountants are to assist management the aims and objects of good management must be defined. From the strictly financial aspect the main object must surely be to earn such a profit as will produce a reasonable return on the capital employed in the business having regard to the risks involved. This return must not only adequately reward shareholders in the form of dividends but provide a sufficient margin to cover unforeseen events and to allow of future development. At the same time the capital supplied must be maintained intact by safeguarding the assets of the business. Above all, the business must plan to expand – a company either expands or contracts, it rarely remains stationary – but the expansion must be controlled.

Accounting Information

Management accounting must serve management at all levels, managing director, sales manager, works manager, foreman, etc., but in this talk I propose to consider the subject as it concerns executives in a medium-sized concern.

What sort of information is to be made available and in what form is it to be prepared and presented to give the best results. I have already pointed out that it is not possible or advisable for me to attempt to lay down any hard and fast rules but nevertheless there are certain principles which apply at all levels and in all circumstances:

- (a) all accounting statements must relate to function and be capable of being identified with the person responsible for the issuing and carrying out of orders;
- (b) they must enable effective action to be taken where necessary;
- (c) they must be available promptly – the element of time is vital;
- (d) they must be presented simply. When presenting a statement the needs, status and personality of the recipient should be considered. Statements should be as short as possible, easily readable and the salient points on which action is required must stand out;
- (e) where possible there must be a basis of comparison – whether it be with a budget, forecast or standard or the actual results for an earlier period.

The kind of information required concerns three aspects of the company's affairs: (a) future; (b) resources; (c) current trading.

The first category 'future' will naturally be concerned with forecasts and budgets, together with any forward facts which are known. It will be necessary to provide budgets for profits (embracing use of

labour, materials and plant); cash (concerning available resources and spot-lighting any potentially difficult periods and when applicable the point at which further capital must be acquired), and capital expenditure (to be in line with the requirements of production). All these three are of course very closely linked and are complementary to each other. With these budgets will be a statement of the forward order position.

On 'resources' we require: (i) monthly balance sheet; (ii) cash and liquidity statement; (iii) statement showing trends of stock, work in progress, debtors and creditors; (iv) investments, cost and market value, yields, etc.; (v) capital expenditure progress position.

The information which is required on 'trading', covers: (1) monthly trading account; (2) profitability or otherwise of products and processes; (3) minimum turnover and production required to break even; (4) comparisons of actual results with budgets or predetermined standards, or failing this with the results of previous periods.

We have dealt with our subject so far on a somewhat theoretical plane and I now want to alter my direction and deal in a little more detail with the basic elements of production. These, as you all know, consist of labour, materials and overheads. Some people include profit but I propose to leave that factor out of the talk and merely say now that profit is the basic aim of all business endeavour; without it the whole of our effort is negative because we have not achieved that which is essential for the advancement of our company and incidentally for the betterment of ourselves. If we can successfully use and control the other elements we shall with a balanced selling policy achieve the vital profit.

Labour, materials and overheads have all to be properly controlled if success is to be gained and it is to this factor of control that I shall confine my comments. We saw earlier that one of the functions of management accounting was to aid the day-to-day conduct of affairs, and the next part of my talk is broadly confined to that aspect.

Labour

I suppose that the cost of labour is that element of cost in connection with which the concept of control is most familiar, as a result of the increasing interest which is now being taken in work study. My purpose in mentioning work study at all in this talk is to show the way in which it can be used in the establishment of standards against which we will measure actual performances to guide control. Work study is one approach to the problem of productivity and its two principal aims are:

- (1) the determination of the most effective method of using materials, plant and human effort;
- (2) the determination of time standards associated with the methods employed.

Suffice to say here that these factors are essential if a sound and reliable means of assessing the effort

of the labour force is to be established. This assessment is vital as we need reliable and up-to-date standards against which to measure effort.

There are many ways in which labour may be measured and probably the most widely used nowadays is the setting of allowed times for the various operations necessary to make the product. These allowed times – which include factors to cover necessary relaxation (in compensation of physical effort or working conditions), special allowances to cover inherent difficulties of process or materials, machine synchronization and so on – are generally set at a level which will enable the average worker – if there is such a person – to earn a certain bonus at a predetermined level of output. They indicate a level of performance against which actual times are gauged, the level is generally termed a standard and achievement of this level is referred to as standard performance.

You will see, therefore, that having established a standard we are able to use it as a means of measuring the effort of labour. Variances from these standards will inevitably arise and it is in dealing with these variances that our control is achieved.

Form 1, shown opposite, is an example of a control sheet for labour utilization and cost and I want to mention some of its uses.

The sheet is designed to cover a quarter, having one line for each week, and should be applied to individual departments or sections of a department. The headings of the column on this weekly control sheet are designed to cover most purposes in almost any scheme of production. We have:

Output – divided into measured and unmeasured.

Direct performance – split into operator and departmental.

Indirect workers – a comparison between the actual and standard equivalent number of operatives.

Bonus percentage – direct and indirect.

Payroll – direct, indirect and total.

Total cost per 1,000 units of production – again a comparison between actual and standard, showing the excess as a percentage.

Average direct hourly rate – this gives a good general indication of mixture of personnel etc.

The lower section of the form is, to my mind, the most important, for it is here that a dissection of excess costs is shown. The types of excess cost are legion and the following are some of those which might commonly arise: (1) overtime premium; (2) excess labour; (3) awaiting instructions; (4) awaiting materials; (5) machine breakdown; (6) special labour rates; (7) bad materials; (8) incorrect tools etc.

It is advisable to express excess costs in terms of £ s d since this is the best common denominator for such figures, and gives a clearer emphasis than any other means. Now excess costs are the arch-enemies of all concerned with any form of production or service. The dissection is so important because the revelation of the cause of the excess cost points the

WEEKLY CONTROL SHEET

Department..

Section..

LABOUR UTILIZATION AND COST

FORM I

Quarter Ending.....

[illegible][illegible]

way to the elimination or reduction of it by tracing it back to its source. Once we have ascertained the cause of the excess cost then we know where to make our attack.

Materials

When talking of materials I mean both raw materials and piece parts. The control of materials is in some ways the most straightforward element of production to control, as most of the factors governing it are within the jurisdiction of the company and outside influences play a relatively small part. The control of materials used falls into three parts: (1) before buying; (2) at buying; (3) in production.

It is readily apparent that the first stage of control of material is in the original project or design stage. It is here that a great deal of money can be saved or wasted and a well-conceived method of specifying materials is essential. Naturally the correct materials for the job in hand must be used and the specifications framed accordingly, but nevertheless it must be clearly understood by all concerned that some form of standardization is necessary. Even in the most complex and specialized constructions there will be interchangeability with preceding models to some degree. The compilation and use of well-constructed lists of standards can result in considerable savings and also avoid much frustration and irritation at all levels. Such lists must not only refer to the specification of the materials and dimensions but also to the description.

Having compiled lists of materials the stage has been reached when a study must be made on machine methods and testing, and it is here that work study should be applied. This study will investigate all the possibilities of alternative production methods and the result will be the setting of standards of material yields. These standards of usage are then embodied in the material specification, thus making a 'Master material list' or 'Master parts list', which constitutes a complete specification of all the details to be manufactured wherein the arrangement of the data has been devised to suit the needs of production. This is, however, only the first phase of *control before buying*.

The second stage is the establishment of a manufacturing programme which, in turn, will be translated into terms of labour, materials, machine hours, etc., for production control purposes. The part of the overall plan which is devoted to materials then becomes one of the bases of stock control and stores organization.

Stock Control

I should like, at this point, to refer very briefly to stock control and storekeeping. Effective control over stocks is normally best exercised by these two separate but complementary functions. Here are definitions of these as I think of them:

Stock control is concerned with the recording of the movement of materials into and out of stores, the quantity and frequency of orders to be placed and the maintenance of proper stock levels at all times.

Storekeeping is concerned with the physical receipt, storage and issue of materials, in a manner which ensures that labour and space are utilized effectively, that materials are maintained in good condition and are ready and accessible for use when required.

It is necessary to remember that the need is to achieve the best possible balance between too much stock, with the resulting financial consequences and too little stock, with the probable effect on customer service and production costs. More problems are created by an incorrect balance of stocks than by the size of the total holding.

Production Control

I want now to make a few comments on production control, not in all its aspects but dealing with those which affect or reflect upon material control. The purpose of production control is to secure the delivery of the finished product in the shortest possible time, having used labour, plant and materials to the best advantage, and having maintained minimum balanced stocks of work in progress at an irreducible level. In that definition you will note that materials are referred to twice:

- (1) having used material to the best advantage; and
- (2) maintaining minimum balance stocks of work in progress at an irreducible level.

Orders for material will be placed on the purchasing office in accordance with the requirements of the production programme or through stock control from a regular progressive examination of stock records in conjunction with the pre-set levels of stockholding. These orders will then be placed on the purchasing office giving full particulars of the materials required and *most important* details of the rate at which delivery is required.

The second stage of control is 'at buying'. I have already indicated the steps to be taken prior to buying and emphasized the necessity for full and complete information being passed to the buyer. Full knowledge is necessary if he is to do his job properly and render to production the service which is expected of him. I do not propose to dwell on the need for correct buying – suffice to reiterate that with the correct information supplied in time to enable him to buy selectively, a buyer can make a very real contribution to the success of a company.

The third point of material control is 'in production' and is concerned primarily with the reduction of material waste. Most people will agree that it is less trouble to pick up half a crown from the floor than to earn two and sixpence and few people would see even a penny on the ground without making an effort to recover it. Close observation will show, in almost any manufacturing concern, materials being walked on, burned, thrown away or otherwise squandered to the value of hundreds of pounds, often without the people concerned realizing what is happening.

This attitude of mind is frequently the result of familiarity with the material, leading to an unconscious contempt for its intrinsic value, but it certainly shows a lack of appreciation of the obvious fact that it usually costs next to nothing to avoid throwing things away. Waste reduction, therefore, frequently constitutes a net saving and it will often be achieved far more cheaply than equivalent benefits in other directions.

From these remarks you will see that the control of material is a very dynamic thing and is active and progressive in its application. Having established a standard or budgeted material usage from our basic material lists we must now measure the actual usage against these standards. A good method of finding out material variances is to prepare a detailed weekly tabulation of the value of materials issued and to set against it, item by item, the value of materials which should have been used, this being ascertained from the known standards and the production achieved. A material analysis sheet showing the percentage variances can then be developed for the use of management.

Overheads

Overhead expenditure may be divided into two classes of item: fixed and variable. The reason for making this distinction is mainly to facilitate control – after all, if some of the expenditure is fixed such as rents, rates, depreciation and so on, there is little we can do by way of day-to-day control so we are thus able to concentrate our attention on the items of a variable nature.

It is clear that if a satisfactory level of profit earning is to be maintained, it is essential that overhead expenditure be kept in some definite and pre-determined relationship to other items of cost and therefore must be controlled. Having agreed the necessity for control the questions which arise are:

- (1) How are we going to exercise control?
- (2) Against what are we going to measure expenses?
- (3) Should we endeavour to control and regulate all overhead costs? If not all, which are the most important?
- (4) At what level is control to be affected?
- (5) Who is to be responsible for what items? and so on.

The methods of control I am going to discuss are generally applicable in some degree to all types of production, and I propose to discuss them in fairly general terms. The relationship which fixed and variable overheads bear to one another must be clearly understood if we are to appreciate the effects of each. It is often hard to determine whether there has been a good or poor overhead performance when departmental output fluctuates widely between periods.

The impact of volume may have a rather disturbing effect upon the percentage recovery and to illustrate this clearly I have drawn up a small table to illustrate my point. This table is shown as Form 2.

The overhead rate of 65 per cent at a direct labour level of £5,000 per month is no greater a degree of break-even efficiency than 125 per cent at a direct labour level of £1,000 per month. Should the department operate at the £5,000 direct labour level with an actual overhead rate of 80 per cent the break-even point will be adversely affected. On the other hand, should the department show an actual overhead rate of 120 per cent when operating at the £1,000 direct labour level it will be contributing to an improved break-even efficiency because the 120 per cent is 5 per cent better than the budgeted break-even factors assumed for this level of production.

To answer the first two questions which I put, 'How are we going to exercise control?' and 'Against what are we to measure expenses?' – it is clear that we must have some yardstick to measure each item and so we must establish standards or budgets against which regular and progressive comparisons are sufficiently up to date, to constitute live instruments of management and fit in very conveniently with the normal processes of commerce such as the weekly preparation of payroll.

The weekly reports to which we refer show, by departments, a comparison between the actual and the budgeted expenditure on all variable factors. The value of these weekly reports will be greatly enhanced if a short explanation of the reasons for the variances can be included in the report. This may save a lot of unnecessary work and heartburning in some quarters. I cannot emphasize too strongly the importance of these reports and the fact that they must be concise, clear, up to date and prompt in presentation.

When the accounting department complains that such reports make more work, it will invariably be seen that, correctly timed, there is no substantial difference in cost. Even if more frequent measures do cost slightly more, the savings will far exceed the additional cost of the process, because the facts can best be used by management while they still have a clear picture in their minds of the causes of the departures from budgeted figures. This is mainly why I advocate weekly controls.

The fourth question, 'At what level is control to be effected?' My answer here is at departmental level. In controlling by departments we are able to establish budgets for a relatively close-knit unit and one which is under the detailed personal supervision of a man-

ager or foreman. It is at this level that we must have cost consciousness, for it is here that so much of our variable overhead expenditure is incurred. A departmental manager, who is cost conscious and who has been made aware of the required levels of outlay, can play a very significant part in maintaining a satisfactory profit level.

For this and other reasons it is essential, in my view, that the manager or foreman should have a hand in the preparation of the budget for his department. In the first place the final figure will be one which he has helped to establish and consequently he will make sure that it is met or surpassed; secondly, the accuracy of the budget is likely to be improved by his first-hand knowledge and, thirdly, he will be pleased by the request for his co-operation and will become increasingly cost-conscious.

Setting of Budgets

The setting of budgets is the 'back room' stage of the operation of control of overheads and like so many such jobs, it is really the kernel of the whole operation. It is at this stage that the basic thinking must be done, and if these budgets are constructed on a sound footing, with a common-sense and practical outlook, later control will be greatly facilitated. I would like to stress that budgets must not be prepared solely from an accounting viewpoint, though this is naturally important. They must have a practical background so that they will be dynamic in application and acceptable to those who have to meet their requirements.

In establishing the level of each element it is vital that the basis of each be fully and completely recorded. The reasons for doing this and that, the internal and external influences present at the time of check, the level of production in each department, the type, variety and mix of products etc., must be faithfully noted for information at all times and as a guide to future checks.

Budgets, I consider, should be prepared by a small committee – not exceeding three – with one permanent chairman who should be a senior executive, such as the financial controller or chief accountant. The other members would vary according to the problems under review, but to have continuity of outlook, construction and presentation, one regular senior member is essential.

FORM 2

DIRECT LABOUR PER MONTH	FIXED OVERHEADS	VARIABLE OVERHEADS AT £50 PER £100 OF DIRECT LABOUR	TOTAL OVERHEAD EXPENDITURE	OVERHEAD PER CENT OF DIRECT LABOUR
£ 1,000	£ 750	£ 500	£ 1,250	Per cent 125.00
2,000	750	1,000	1,750	87.50
3,000	750	1,500	2,250	75.00
4,000	750	2,000	2,750	68.75
5,000	750	2,500	3,250	65.00

It is not practicable, as I have already said, to attempt to control all items of overhead expenditure each week and therefore budgets must be split according to the character of each factor. The items of a fixed nature, such as rent, rates, depreciation, insurances, and so on, should be treated as annual items and reconciled each year. It is important, of course, that the apportionment to departments should be carefully examined initially and at regular intervals thereafter.

The variable items, that is those which tend to fluctuate according to varying levels of production, are those which must be carefully controlled to ensure maintenance of the profit level. There is no set method by which the budgeting of such items may be made, and each must be treated on its merits, bearing in mind all the time the specific requirements of the company and its policies.

There are those items in the variable group, such as State insurance, holiday fund contributions, consumable stores, which should alter in direct proportion to the numbers of employees. There are others, such as indirect wages, repairs and renewals, supervision, which, while having some connection with direct wages, do not fluctuate exactly in line with them. Again there are expenses, such as waiting time, general and welfare expenses, services, etc., which may fluctuate for entirely different reasons.

The initial step in budgeting is to establish a standard departmental output against which to set overhead expenses. How should we measure this standard output? Should it be in items produced or in allowed minutes or some similar universal medium of measurement? I submit that, if possible, the standard output should be measured in allowed minutes – by this means changes in type of product, length of production cycle, etc., do not affect the standard and these budgets continue to remain comparable.

Having settled the level at which production is required to run, then the budget committee for each department must establish a fair and reasonable budget against that level. The different departmental budgets will then be built up into a complete picture so that top management may have before them information which is full and complete for the whole company.

There are some companies which incur heavy expenditure on special overhead costs, such as research and development – these should be treated as individual items for control purposes and should not be part of the general overhead control. Expenditure in these fields is usually covered by a special allocation of funds and to include them in general controls would tend to distort both items.

Overhead Control

Form 3 is an example of a weekly overhead control sheet which is in actual use in a certain organization. This form differentiates between joint and factory responsibility for each item. It also shows adjustments

made to the original budget. It is equally apparent that we should get variances in both directions – we hope – and for this reason we must decide what degree of variation we are prepared to accept without inquiry. All variances cannot be investigated nor should they, and that is why the degree of acceptable variations should be predetermined. There are a number of items on which expenditure tends to be spasmodic – year to date or period to date figures are very valuable on these items if unnecessary inquiries are to be avoided. An indication of likely trends is also valuable.

We have considered the three basic elements of production and given at least an indication of some methods by which control may be exercised but there are many more facets of business upon which I have not even touched. Such things as sales, transport, advertising, training, maintenance, inspection, tools, insurance, and many more items, each of which in its turn is fully deserving of careful attention, but not only is full consideration impracticable in the time at my disposal but I think we would be well advised thoroughly to digest and assimilate the basic essentials, by which time we will have learned to sort the sheep from the goats and concentrate on the vital elements leaving the lesser to follow in due course.

Before leaving this subject I must emphasize as strongly as I can that these budgets must be 'live'. They are not to be prepared once and then forgotten or left to atrophy; they must be constantly reviewed, re-set and generally knocked about, so that they continuously serve their purpose. Furthermore, the setting of standards should not only act as a yardstick of achievement but also as an incentive to endeavour in exactly the same way as does the setting of a 'par' for a golf course – something to aim for and something to beat.

Reporting to Management

We have looked at some of the elements of business upon which reports are required in one form or another by different levels of management, so let us now consider the requirements of the reports.

In the first place I think reports may be divided into two categories:

- (1) Regular reports – containing basic information, which are adapted to continuous presentation.
- (2) Special reports – which provide information pertinent to some current activity or which amplify information contained in standard reports.

Unless some safeguard is established as a definite policy, the whole system of reports can and sometimes does develop ponderous proportions. It grows beyond the ability of the executives to digest and use in accordance with their intent. Special reports, initiated for a temporary purpose, may continue to be presented after the need for them has expired. This represents wasted energy for those engaged in their compilation and for the executives who receive and examine them.

Positive control should be established to confine these reports within limits that will provide only essential information. Such control falls naturally within the province of the accountant or whoever exercises control functions affecting procedures. In the exercise of such control all reports should be subjected to frequent and critical examination to determine what information in reports should be eliminated. The essential requirements of a good report may be summarized thus:

- (1) Pertinence – they must pertain to, and only to, the functions with which they are concerned.
- (2) Information – the contents must be complete and readily assimilated, giving proper emphasis to the matters requiring action.
- (3) Brevity – they should be concise and brief and require a minimum of management time to review.
- (4) Accuracy – accuracy of detail is essential.
- (5) Comparison – comparisons should be made between actuals and standards and variances revealed. A short note of the reasons for such variances will be a very valuable addition to the bare information.

(6) Current – they must be up to date.

(7) Promptness – they must be presented promptly on definite dates.

The relationship between facts and figures is not always as obvious as might be assumed. Important facts are often hidden below the surface of routine accounting data; these must be uncovered if the figures are to be of real value to management. The accountant has a special responsibility in this connection; he must seek to understand and explain the conditions, of which the figures are only symptomatic. The accountant who merely prepares and presents the requested figures, in my view, fails to fulfil his function in the organization – he has become an automaton who does no really constructive thinking and therefore contributes little to the success of the company. The opportunities which are present today for the accountant to become a real force in industry are legion, but the necessary drive, initiative, sense of perspective and understanding cannot be gained from textbooks; they can only be acquired by real and whole-hearted enthusiasm for the job on hand and a keen desire to play a full part in the expansion and improvement of a company's destiny.

FORM 3

WEEKLY OVERHEAD CONTROL SHEET

Week Ending.....

OVERHEADS							
Factory Responsibility				Analysis of Variances			
Budget	Accounts Code		Adj. Bdg.	Actual	Variance		
£			£	£	£	£	£
1,080		Indirect Labour: Supervision	1,080	1,209	129		
1,150		Dolsetting	1,150	1,201	51		
820		Shop Labourers	820	823	3		
20		Other Indirects	20	82	62		
1,300		HOLIDAY PAY	1,300	1,300	—		
1,700		Indirect Materials	1,630	1,645	15		
700		Small tools	670	679	9		
1,880		National Insurance, Holiday allowances	1,880	1,925	45		
790		Management and supervision	790	832	42		
550		Progress	550	565	15		
680		Stores and internal transport	680	819	139		
2,720		Tool maintenance	2,720	2,864	144		
50		Factory stationery	50	57	7		
13,440			13,340	14,001	661		
Joint Responsibility							
730		Inspection	730	741	11		
950		Time study	950	961	11		
700		Manufacturing planning	700	713	13		
20,320		Research, Experimental and designs	20,320	20,870	550		
1,600		Production drawing office	1,600	1,622	22		
7,450		New product tool	7,450	7,650	220		
2,170		Process planning and methods	2,170	2,177	7		
5,000		Maintenance of plant and buildings	5,000	5,000	—		
230		Machine tool overhaul	230	230	—		
900		Power	870	916	46		
1,300		Light, heat and water	1,300	1,344	44		
300		Buying	300	343	43		
2,530		Factory administration	2,530	2,599	69		
1,350		Personnel – factor group	1,350	1,361	11		
45,530			45,500	46,527	1,027		
2,700		Rent, rates, insurance and depreciation	2,700	2,700	—		
61,670		TOTAL FACTORY OVERHEADS	61,540	63,228	1,688		
—		Work in progress – increase or decrease	3,139	3,139	—		
61,670		NET FACTORY OVERHEAD EXPENDITURE	64,679	66,367	1,688		
60,200		RECOVERED IN OUTPUT at W.I.F. exc. all.	62,759	62,759	—		
1,470		EXCESS COST	1,920	3,608	1,688		
2.4		Per cent excess to recovery	3.1	5.8	2.7		

Weekly Notes

Cost Accountants' New President

MR WILLIAM SYMINGTON RISK, B.COM., C.A., F.C.W.A., was elected President of The Institute of Cost and Works Accountants at the Institute's



Mr W. S. Risk

annual general meeting held in Blackpool last Saturday. Mr Risk, who is regional director for the southern region of British Bakeries Ltd, has served as a Vice-President for the last two years.

Educated at Glasgow Academy and Edinburgh University, where he took the degree of Bachelor of Commerce, Mr Risk served his articles with Messrs Wilson,

Stirling & Co, Chartered Accountants, of Glasgow, and was admitted to membership of The Institute of Chartered Accountants of Scotland in 1934. He was admitted an Associate of The Institute of Cost and Works Accountants in 1939 and became a Fellow in 1944.

At the end of the Second World War (during which he served with the Admiralty), Mr Risk joined the firm of Robson, Morrow & Co and remained a partner until 1953 when he took up an executive appointment with Allied Bakeries Ltd. In 1958 he was chairman of the London Multiple Bakers Alliance and a member of the main committee of the Federation of Wholesale and Multiple Bakers in England and Wales.

Mr Risk has played an active role in the affairs of the Institute (before moving to the London area he served as President of the Glasgow and District Branch), and in 1953 he was co-opted as a member of the Council. He has been chairman of the Examinations Committee and a member of the Branch Development Committee. At the Sixth International Congress on Accounting held in London in 1952 he delivered a paper on 'The accountant in industry'.

Mr F. M. W. Hird, F.C.A., F.C.W.A., secretary of Frederick Smith & Co, Wire Manufacturers Ltd, of Halifax, has been re-elected a Vice-President of the Institute, and Mr William Bishop, C.A., F.C.W.A., senior partner in the firm of William Bishop & Co, Chartered Accountants, of Edinburgh, has also been elected a Vice-President.

The proceedings at the Institute's thirty-first

national cost conference, held on the two days before the annual meeting, are referred to elsewhere in this issue.

The Irish Institute's Year

THE report and accounts for 1959 of the Council of The Institute of Chartered Accountants in Ireland must make satisfactory reading for everyone interested in the progress of the profession in that country. The membership during the year has risen from 1,498 to 1,569 and there are now 676 clerks serving articles as compared with 629 at the end of 1958. The examination results, too, were encouraging. In the Intermediate examination, 43 per cent of the candidates passed as against 32 per cent the year before and, in the Final examination, the percentage pass of 43 was maintained. As reported in our issue of January 2nd, 1960, a far-reaching decision to replace the present Intermediate and Final examinations by five annual examinations spread out over the ordinary period of articles was taken by the Council during the year. Copies of the revised syllabus are now available.

The finances of the Institute were helped by the receipt in 1959 of its share (£8,043) of the surplus assets of The Society of Incorporated Accountants arising out of the Scheme of Integration. This sum, together with the surplus of £262 on income and expenditure account, increases the accumulated fund from £6,192 to £14,497.

As a result of recommendations made by a committee set up by the Council in 1958 to consider the future policy of the Institute, three new permanent committees - parliamentary and law, taxation and finance and general purposes - are to be established. In addition, the education and examinations subcommittee will be re-named the education and training committee and will keep under review the long-term aspects of training and examining students.

The success of the recent series of one-day annual conferences (four in all have been held) has prompted the Council to arrange for a residential conference of the Institute and the first of these will take place at Newcastle, County Down, from October 21st to 23rd, 1960.

A report of the annual meeting of the Institute held in Dublin on May 7th appears elsewhere in this issue.

Duple Bodies Case to go to Lords

AN application by the Inland Revenue for leave to appeal to the House of Lords against the decision of the Court of Appeal in the case of *Ostime v. Duple Motor Bodies Ltd* (*The Accountant*, March 26th, 1960), has been granted by the Appeals Committee of the House of Lords, subject to the condition that the costs, whatever the outcome, are paid by the Crown, and that the orders as to costs in the Courts below shall not be disturbed.

Council on Prices, Productivity and Incomes

SIR HAROLD HOWITT, G.B.E., D.S.O., M.C., D.C.L., F.C.A., who has served as a member of the Council on Prices, Productivity and Incomes since its constitution in August 1957, has now retired from the Council. This was announced by the Chancellor of the Exchequer on Monday when he stated that Lord Heyworth, LL.D., D.C.L., until recently chairman of Unilever Ltd, has accepted an invitation to become chairman of the Council in the place of Lord Cohen who retired in the summer of last year. Professor H. Phelps Brown will continue to serve as a member and Sir Harold Howitt's place will be taken by Sir Harold Emmerson, G.C.B., K.C.V.O., M.L., formerly Permanent Secretary to the Ministry of Labour.

In his statement, the Chancellor said that the Council had rendered three valuable reports and the Government considered that these reports had contributed to a greater public awareness of the basic issues involved in the field of prices, productivity and incomes and that they believed that there was continuing scope for further studies and advice in these matters from an authoritative body independent of the Government. The Chancellor expressed the warm thanks of the Government to the original members of the Council—Lord Cohen, Sir Harold Howitt and Professor Sir Denis Robertson—for the valuable services which they had given.

Lord Heyworth will not be able to take up the chairmanship before the end of September and the new Council will accordingly start its work at the beginning of October.

Building Societies Report

PART 5 of the 1959 report of the Registrar of Friendly Societies, dealing with building societies, was published on Monday¹. It contains a specimen of the revised form of annual account and statement which came into operation last September and was arrived at after consultation with The Institute of Chartered Accountants in England and Wales.

Two orders under Section 11 of the Prevention of Fraud (Investments) Act, 1958, were made during the year. One related to the State Building Society and the report recalls that Mr W. H. Lawson, C.B.E., B.A., F.C.A., senior partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, was appointed as Inspector to inquire into the society's affairs. He furnished an interim report at the end of January last but it has not yet been published in view of certain criminal proceedings. The other society to have an order made against it was the County Palatine Building Society, which was incorporated on November 5th, 1956. The investigation showed that the financial affairs of this society were linked with those of a number of associated companies known as the Mias Group. The largest mortgage advance was of £1,500 on a property whose purchase

price was £1,750 but during the previous year the property had changed hands at £400 and in the same year as the sale to the mortgagor it had been bought by a company in the group for £995.

Dealing with the designation of societies under Section 1 of the House Purchase and Housing Act, 1959, the Registrar has some illuminating things to say about manipulation of accounts to show large reserves. He mentions in particular the device of writing up the society's own office premises and crediting the write-up to reserves; also the discontinuance of the practice of reserving for future income tax. It is a pity that the Registrar's reports do not receive wider publicity, they contain much of peculiar interest to accountants.

Order Against Lloyds Permanent Building Society

LLOYDS Permanent Building Society has been revealed as the society whose action against the Registrar of Building Societies was dismissed by the Divisional Court on April 28th¹. The society was seeking to quash an order of the Registrar of Building Societies, dated April 6th last, and made with the approval of the Treasury, under Section 11 (1) of the Prevention of Frauds (Investments) Act, 1958. The order prohibits the making of any invitation, by or on behalf of the society, to subscribe for, or to acquire, or to offer to acquire securities, or to lend or deposit money.

On appeal from the decision of the Divisional Court, the Court of Appeal, on May 12th, also declined to quash the order (*The Times*, May 13th). Lord Justice Hodson, in his judgment, said that the Registrar's investigation continued until February 19th, 1960, when he gave notice of his intention to make the order. In accordance with Section 11 (1) he heard representations made on the society's behalf on March 18th, 22nd and 25th, on which last date the 1959 accounts were produced. On March 28th the Registrar decided to make the order. Meanwhile the society's auditor obtained an interview with an executive registrar, Mr Leigh, on a question agitating his mind under the accounts. It was natural and proper, said his lordship, that the Registrar should consider this question. It had been contended that there should have been no discussion between the auditor and the Registrar, through Mr Leigh, and that this discussion vitiated the order, because the Registrar was acting in a judicial capacity and was not at liberty to receive information behind the society's back. His lordship was satisfied however that nothing material was added at the conversation with Mr Leigh. This case was a long way from those in which a court made an order of certiorari. Lord Justice Pearce and Lord Justice Upjohn concurred. Leave to appeal to the House of Lords was refused by the Court.

Counsel for the society sought to have its name

¹ H.M.S.O. London. 4s net.

¹ See *The Accountant*, May 7th, page 562.

withheld from publication, pointing out that the proceedings before the Registrar were private. However, Lord Justice Hodson replied that the society had seen fit to come to the public Courts to have the order set aside. These Courts were bound to administer justice in public. Counsel for the society then said that there was £60,000 in Court and he asked that it be repaid to the society. Counsel for the Registrar said that the Divisional Court had granted the application for no publicity on terms that money which would have gone into the society's coffers should be paid into Court. On the same day the Divisional Court, on the application of counsel for the Registrar, ordered that the £60,000 be paid back to the depositors, except in so far as the society had already made payments to them, in which case the money could go to the society.

The Cash Hoard and its Sequel

AT Penzance Quarter Sessions on May 12th, Leslie Francis Bracey, aged 47, living on a caravan site at Whitstone, near Bude, Cornwall, was charged on two counts of writing letters threatening to murder three income tax Inspectors. He was placed on probation for three years, subject to undergoing psychiatric treatment. Counsel for the prosecution said (according to *The Times* of May 14th) that during the Second World War, Bracey buried about £800 in silver in the Quantock Hills, together with tinned foodstuffs, presumably against the threat of invasion. A dispute arose between him and the income tax authorities as to how this hoard should be dealt with for tax purposes, and since 1952 there had been a vitriolic correspondence. Counsel read out part of a letter to the tax office at Bideford: 'If they do not soon find a way to bring about justice in the near future I will kill three income tax Inspectors and myself. I have stood about as much as I can stand'. The Recorder, in passing sentence, said that on the evidence Bracey was a peace-loving citizen.

Bankruptcies in 1959

THE general annual report of the Board of Trade for 1959 on matters within the Bankruptcy and Deeds of Arrangement Acts was issued last Wednesday¹. It shows that in 1959 the number of receiving and administration orders in England and Wales rose to 2,301, an increase of fifty-one over 1958. On the other hand, the net number of deeds of arrangement registered in 1959 fell to 255, the lowest figure for any year since 1950.

In the three principal groups of trades affected (builders, farmers, retail grocers, retailers of hardware and electrical goods, hotel keepers and publicans and road haulage contractors), there were 774 failures as compared with 678 in 1958. The number of estates in which official and non-official trustees were released in 1959 totalled 2,004 compared with 2,166

in the preceding year. Details of the final financial results of the trustees' administration are given in the report.

The report also contains details of the results of 632 debtors' applications for discharge dealt with during the year and of the 150 prosecutions concluded in respect of bankruptcy and other offences reported by the Official Receivers (thirty-two more than in 1958); of the deeds of arrangement registered in 1959 and of the 284 deeds of arrangement in respect of which final accounts were rendered (seventy-one more than in 1958).

The Informer and the Inspector

A THREE-DAY hearing by the General Commissioners of Great Yarmouth of an unsuccessful appeal against an additional assessment on a jewellery business was the subject of proceedings before the Divisional Court on May 11th, according to *The Times* of May 12th. The appellant was Mrs Monica Ellen Amis, of Regent Street, Great Yarmouth, and she applied to the Divisional Court to quash the Commissioners' decision, but was again unsuccessful.

The Lord Chief Justice said that at the appeal hearing evidence was given on behalf of the Crown by Geoffrey Hugh Whiting, of Woodcote Road, Leamington Spa, one of Her Majesty's Inspectors of Taxes at Great Yarmouth at the time. Although he did not refer, during his examination in chief, to his sources of information, he was cross-examined about them. He then told the Commissioners that an informant had given considerable information which would suggest that Mrs Amis was concealing her true financial position. One of the items of information was that Mrs Amis did not put purchases of higher value than £10 or £20 through the till; moreover he had been shown till rolls which indicated that the total takings were higher than those disclosed by her. Mr Whiting did not put forward this information as evidence, nor was it accepted as such; it was simply elicited in cross-examination.

Some weeks after the appeal hearing, Mrs Amis's solicitor, acting upon instructions, discovered that the informant was a Mr Sydney John Wilson, of Middleton Road, Gorleston, who had been living with Mrs Amis from time to time. Mr Wilson was said to have signed a statement saying that he had deliberately given false information against Mrs Amis, against whom he had a grudge, and had fabricated the till rolls which he had shown to the Inspector. The statement also denied saying some of the things which the Inspector had alleged had been said. In the proceedings before the Divisional Court this statement was exhibited to an affidavit by Mrs Amis's solicitor, in support of the application to quash the Commissioners' rejection of her appeal.

Rejecting the application, the Lord Chief Justice said he put right out of his mind any suggestion that the Inspector had said anything which was untrue. Mr Wilson's recollections, to say the least of it, were not to be relied on. The affidavit was no evidence at

¹ H.M.S.O. Price 1s 9d (by post 1s 11d).

all of the matters contained in the statement; there was not even a statement of the deponent's belief in Mr Wilson's statement. Again, even if Mr Wilson himself swore an affidavit in the terms of the statement, that would only show that he was prepared to say anything. Finally, even if it were shown that a witness in proceedings, not being a party to them, had given false evidence that would not be sufficient grounds for the order asked for (*Regina v. Ashford (Kent) Justices; ex parte Rickley* ([1955] 3 All E.R. 604)). Mr Justice Byrne and Mr Justice Ashworth agreed.

Trade Union Finance

THE Trades Union Congress has carried out an investigation on the finances of affiliated unions during 1958. A previous investigation had taken place four years previously. Over the intervening period the membership of affiliated unions had gone up from 6.92 million to 6.96 million, total income from £15.8 million to £20.3 million and total expenditure from £13.6 million to £18.0 million. Over the period, increases in members' contributions have been out-paced by increases in costs. This survey gives rise to continued concern according to the T.U.C. general secretary. There was a growing tendency for the unions to spend more than they received. In 1954, fifty-eight unions were in this position; by 1958 the number had increased to seventy-five. There is an increase in the number of unions spending more than their total income from all sources.

Inability to cover expenditure is of wider interest than among trade unionists. The unwillingness recently of the Amalgamated Engineering Union to raise the salaries of its senior officials was only one example of the difficulty trade unions continue to have in recruiting the right kind of material for their staff and paying that staff adequately once it has been recruited. The future of trade unionism depends to a great extent on the quality of the leadership and good leaders require adequate remuneration.

Wages Policy Retrospect

IN 1951 Mr C. W. Guillebaud gave a lecture called 'Problems of wages policy' as part of a centenary series called 'Centenary lectures, 1951: the worker in industry'. These were published in 1952 by the Stationery Office. In a pamphlet called *Wage Determination and Wages Policy*,¹ Mr Guillebaud has now brought his views up to date. They are particularly of interest, of course, in view of the recent report on railway wages by a committee of which he was the chairman.

In his original lecture Mr Guillebaud pointed out that over a long period of time the tendency was for salaries and wages to take a remarkably constant proportion of the national income despite the efforts, usually successful, of trade union representatives to force up money wages. A second conclusion was that

although the Netherlands and Sweden had both experimented in the central control of wages, the results were not so different from those achieved, say, in this country. He thought that a rough and ready system somewhat on Scandinavian lines could be made to operate in this country but only if all parties to the arrangement were determined to make it work. He concluded by saying that so long as inflation existed, a centralized policy of wage stabilization was impossible and that as soon as inflation ceases such a policy was unnecessary.

In bringing his views up to date as at July 1959, Mr Guillebaud says that he has modified his views very little over the intervening eight years. He still thinks that inflation is the most serious drawback in attempting to work out an intelligent wages policy and that if inflation can be mastered the problem of obtaining and operating a wages policy is very much easier. He therefore favours an economic policy which will achieve comparative stability of price level. He does not ask for absolute stability because he thinks this would be impossible, especially in a country such as this one where external economic factors quickly operate directly on the price and cost level. He remains sceptical about a greater degree of centralization of wages policy and he does not think that a wages policy can be isolated from policy relating to production and profits. He does not favour the Government interfering directly in wages matters.

Guide to Company Formation

BARCLAYS BANK LTD has just published a booklet written, in its opening words, for people in England and Wales who are not familiar with the advantages of incorporation as a limited company and for business men overseas who are contemplating the establishment of companies in this country.¹

The guide has seven sections and the headings of these—types of company, advantages of incorporation, limited company formation, cost of forming a company, company taxation, non-residents of the United Kingdom, and location of company—are fully indicative of their contents. As the complete text covers only eight small pages, the publication cannot be regarded as more than an introduction to the subject but, even in that small coverage, it does contrive to set forth the essential outline. The narrative is refreshingly free of official jargon, saying what it has to say without undue elaboration, and proper emphasis is placed on the advisability of consulting solicitors, accountants and the Board of Trade on appropriate specific matters.

Boom in Capital Investment

THE recent good figures given out on the state of the order book of the machine tool industry (always a good if somewhat over-simplified index of

¹ Published by James Nesbit & Co Ltd. Price 2s 6d.

¹ *A Simple Guide to Company Formation*. (Barclays Bank Ltd, London.)

the level of capital investment in industry) have been followed up by record industrial building approvals for the first quarter of 1960. The number of schemes approved in the first quarter of this year was the highest ever recorded and the total area approved was also the highest for any quarter since the war.

Some 992 schemes were approved last quarter for an area amounting to 34 million sq. ft. This compared

with 691 schemes in the December quarter amounting to under 15 million sq. ft.

The figure for approvals will have been favourably affected by the new plants scheduled for Merseyside for the motor industry. It is significant that the north-western region accounts for a high proportion of the total area approved although the number of schemes is smaller than for the Midlands and London.

This is My Life . . .

by An Industrious Accountant

CHAPTER 25

DEBT collection can present special problems. The junior ledger clerk recently reported difficulty with one old customer whose account, at some £1,800, has been overdue now for about seven months and it is imperative to collect it. When customers overrun our discount terms (2½ per cent monthly account, net thereafter) they have no incentive to pay up, and, furthermore, they often don't place further orders. So for the two reasons action was essential. Travellers' persuasion and office letters had alike proved futile; I decided to visit this customer in person.

The bank report said: 'Undoubted'; the agency report spoke of valuable shop premises, private house and farm. He should be worth some third-degree methods, so I wrote to fix an appointment, phoned to confirm it, and arrived at the shop on the dot of 4 p.m.

They were excellent double-fronted premises on a good corner site, with smart window dressing and extensive stock - in fact, everything was right except that the customer wasn't there. He'd had to go out to the farm. Out after him I went, though my charcoal-grey double-breaster and black rolled-brim seemed incongruous in his ploughed field. There he was, a silver-haired patriarch with a twinkling eye, surrounded by rustic types and tractors. He was suitably apologetic; would I please return to the farm-house to which he would follow in a minute and we'd look into the matter.

Now that I had got my bearings the road seemed a long way round, so I decided to cut back through the fields. The first one was empty except for some sheep and a huge, woolly, black-faced ram standing immobile, like a model of Man's Best Friend. I was sauntering on when I heard the Patriarch shouting frantically, something about 'too near the ewes', and turned to see the sheep scattering in all directions. But not the ram.

He wasn't a bit statuesque. In fact, he was coming towards me at a brisk canter, his little black feet moving with surprising speed. I had a moment of

complete indecision . . . how on earth does one deal with a ram? Too late to run . . . wait till you can see the whites of their eyes, gentlemen . . . *olé, el toro* . . . he was coming on like an express train!

I jumped wildly to one side. Too late. I received a pulverizing blow, fortunately glancing, on my lower rear section . . . hat and briefcase flew in different directions . . . I was rolling over and over. I could only think that this was so silly, it just couldn't be happening . . . they'll never believe at home I was knocked down by a sheep.

I sat up rather dizzily. Man's Best Friend was nearby, with one foot through my Homburg, looking enormous. He was snorting; his head came down; he was charging. I was a sitting duck; I was probably a dead duck.

The Patriarch's voice came again: 'Lie flat! lie quite flat!' and I spreadeagled in the nick of time. The battering ram stood over me, puffing and stamping. Had I read in *Chum's Annual*, years ago, that lions won't touch you if you feign death? Possibly rams also? I lay there like a character out of a Tarzan picture, my face pressed into the grass roots and some incidental insects, while the Patriarch's voice came revealingly from afar off: 'He can't puck lower than his knee-level.'

Ultimately came rescue with sticks and a rope, and my assailant pranced away proudly, lord of the field, only pausing to trample my briefcase in passing. I rose with what dignity I could muster. I was handicapped by a large stain of what can only be described as liquid fertilizer across my waistcoat, and also by the callous reaction of my rescuers. Two of them were bent double, slapping their knees and whooping, while my client was leaning helplessly on the fence, spluttering and wiping his eyes.

However, they brought me back to the farm-house, brushed me down and cleaned me off, while half the countryside came in to hear the epic. My client produced some home-brewed cider, with an impact not unlike that of the ram itself, and explained some basic natural history about the seasonal emotions of his fauna. He also produced a cheque-book and settled the account, while enlarging on the benefits of personal contacts in the business world. We parted on most amicable terms, and I can only remember our final toast to Rameo and Eweliet, before settling down to plan a reasonably credible excuse for my condition to take home to my family.

Finance and Commerce

Evans Medical

UNKNOWN stockholders and the treatment of dividends on their stock cause a very real inconvenience to the company, state the directors of Evans Medical Ltd. 'Very real inconvenience' is a comparative term to be construed according to one's sense of what constitutes 'inconvenience' in company administration, but the steps being taken to remedy the matter in this case add something new to company lore.

It all started when the company's register of members was destroyed by enemy action on May 3rd, 1941. The company made, and has continued to make, every possible effort to compile a new register and to trace all its members, but at the present time the holders of £316 preference stock and £1,378 ordinary stock are still unknown to the company.

Legal advice has been taken and the directors have had negotiations with the Council of the London Stock Exchange about the problem. As a result, they propose that a new article should be adopted permitting the company to sell stock, the holder of which is unknown to the company.

The power of sale will only be exercisable in respect of stock held by a person whose name and address became unknown to the company as a result solely of the destruction of the register by enemy action. The net proceeds of any sale of stock will be paid to the stockholder entitled thereto when he becomes known to the company.

Terms of Sale

The special resolution relating to the new article to be moved at the annual general meeting on May 20th is worded in simple form; it is not mandatory: 'The company', it says, 'shall be at liberty . . . to sell any share . . .'. Care is taken to see that the power of sale extends also to shares issued subsequently by way of capitalization of undivided profits or reserves. To give effect to any such sale, the directors may authorize any person to execute, as transferor, an instrument of transfer of the shares to be sold and the transfer so executed is to be 'as effective as if it had been duly executed by the registered holder of or the other person entitled to transfer such share or shares'.

Notwithstanding the provisos of the company's article 27, all unclaimed dividends on shares sold 'shall forthwith on the sale thereof be forfeited and shall revert to the company'. And finally: 'The company shall receive the purchase money on any such sale and shall be liable to account as creditor but not as trustee to the person who at the date of

such sale was entitled to the share or shares so sold or his successors in title for the net proceeds of sale thereof (including the amount of any dividend included in such net proceeds if the share or shares so sold is or are sold cum dividend) if and when such net proceeds of sale shall be duly claimed but shall not be liable to pay any interest thereon.'

Drafting Articles

Further business for the meeting deals with the company's borrowing powers and provides a reminder of the need for the greatest care in the drafting of articles of association so that what is intended is expressly stated.

As framed at present, article 108 is intended, the directors inform stockholders, to limit - except with the sanction of an ordinary resolution - borrowings of the company and its subsidiaries exclusive of inter-company borrowing and temporary loans from bankers to one and a half times the issued capital. But the Council of the London Stock Exchange has pointed out that the article is not worded effectively to provide for this limit. Furthermore, Stock Exchange regulations no longer permit such borrowings to be exclusive of temporary borrowings.

The matter is being remedied by a new article 108 which will also increase borrowing limit.

The Evans Medical accounts, which are the subject of this week's reprint, provide an example of the combined balance sheet for parent and group - a form which often facilitates easy comparison between the two sets of figures, but is hardly suitable for common usage.

New Angle

THE directors of The Edinburgh Investment Trust Ltd present a new angle on quarterly statements, in that they are prepared to give quarterly figures for capital but not for income.

Assuring shareholders that the board has constantly under review the question of giving more useful information to stockholders, the report records that the directors are not in favour of publishing quarterly revenue figures. 'In addition to the fact that revenue tends to follow a seasonal pattern,' it is stated, 'any large movement of funds could distort a comparison of one quarter with another.'

The directors do, however, feel that the publication of valuation figures more frequently than once a year may serve a useful purpose in keeping stockholders informed of the asset value of their holdings. They accordingly propose, in future, to publish valuation figures in June, September and December as well as at the company's year-end.

On March 15th, 1960, investments quoted on stock exchanges in the United Kingdom stood in the books at £11.4 million but were valued at £25.5 million. Last year's figures were £11.0 million and £17.5 million. Taking the total investment portfolio, holdings in the books at £15.5 million were valued at £31.6 million.

EVANS MEDICAL LIMITED AND SUBSIDIARY COMPANIES

BALANCE SHEET as at 31st December 1959

CONSOLIDATED PROFIT AND LOSS ACCOUNT—Year ended 31st December 1959

	Evans Medical 1959 £	Evans Medical Group 1959 £
CURRENT ASSETS		
Stock and Stores at the lower of cost or market value	1,098,732	1,031,044
Debtors	900,950	1,225,320
Owing by Subsidiary Companies	784,842	1,325,320
Owing by Subsidiary Company not consolidated	629,689	1,055,472
Tax Reserve Certificates	—	992
Loans at short call	300,548	80,000
Cash	154,457	111,446
Difference due to consolidation of one Subsidiary at 31/5/58 (see Note X)	—	30,409
	3,084,376	2,603,639
DEDUCT—		
CURRENT LIABILITIES		
Creditors	804,333	864,530
Owing to Subsidiary Companies	45,785	960,849
Dividend proposed, less tax	59,719	38,281
Bankers, including advances against foreign bills	—	84,063
Taxation (excluding Income Tax on profits for year to date)	123,858	183,278
	1,033,695	1,170,152
NET CURRENT ASSETS	2,050,681	1,433,487
Goodwill, Patents and Trade Marks	—	—
Investments in Subsidiary Companies (see Note I)	141,480	—
Investment in Subsidiary Company not consolidated (see Note XI)	—	40,040
Trade Investments (see Note II)	2,470	2,574
INVESTMENTS	143,950	42,614
FIXED ASSETS (see Note III)	1,390,845	1,494,470
(Parent Company's FIXED ASSETS insured for £2,336,000) (1958—£2,062,000)		
Total of NET CURRENT ASSETS, INVESTMENTS and FIXED ASSETS	3,585,476	2,625,571
DEDUCT—		
4½% First Mortgage Debenture Stock	458,420	483,172
Reserve for Income Tax on profits for year to date	131,000	135,472
Minority Interests in Subsidiary Companies	—	1,117
	589,420	599,761
NET ASSETS	2,996,056	2,063,252
SHARE CAPITAL AND RESERVES		
Authorised		
£250,000 6% Cumulative Preference Shares of £1 each	241,804	241,804
£1,300,000 Ordinary Shares of 5/- each	1,300,000	750,000
£1,550,000	1,541,804	991,804
Capital and Revenue Reserves (see Note IV)	1,454,252	1,071,448
	2,996,056	2,063,252

IAN FERGUSSON } Directors
D. RIDING }

For Notes see pages [637]

	1959 £	1958 £
GROUP TRADING AND MANUFACTURING PROFIT after provision for Overseas taxation on profits to date	2,100	2,100
Deduct Directors' Fees	37,741	34,408
Executive Remuneration and Pensions Contributions	902	902
Former Executive Director's Pension and Payments to Dependents	40,743	37,410
Depreciation of buildings and plant	84,010	81,503
Debtors' Interest (gross)	20,352	21,372
Auditors' Remuneration	4,013	3,874
	149,118	144,159
	397,896	331,341
GROUP PROFIT BEFORE TAXATION	29,795	33,950
Deduct Provision for U.K. taxation on profits of the year:—		
Profits tax	78,329	78,329
Income tax	—	—
Deduct Transfer—Tax	30,294	—
Equalisation Reserve	2,935	108,623
	132,605	162,400
	235,496	188,768
CONSOLIDATED NET PROFIT AFTER TAXATION	24,600	24,600
Deduct Debenture Stock Redemption Charge	—	—
Less tax and other Provisions no longer required and non-recurring receipts less expenditure	4,692	—
	19,908	24,600
AVAILABLE SURPLUS	215,588	164,168
DEALT WITH IN THE ACCOUNTS OF—		
Parent Company	199,902	162,683
Subsidiary Companies	15,686	1,485
	215,588	164,168
APPROPRIATED AS FOLLOWS—		
Dividends for the year, less tax:—		
On 6% Cumulative Preference (already paid)	8,886	8,342
On Ordinary 5/- Stock Units—Interim of 2½d. (already paid) (2½d.)	25,521	17,969
Provision for proposed Final Ordinary Dividend of 4½d. per 5/- Stock Unit (3d.)	59,719	38,281
	94,126	64,592
PROFITS RETAINED IN THE GROUP:—		
Parent Company Revenue Reserve (See Note VI)	105,776	98,091
Subsidiary Companies Revenue Reserves (See Note VI)	15,686	1,485
	121,462	99,576
	215,588	164,168

For Notes see pages [637]

NOTES ON ACCOUNTS

	Evans Medical Limited		Evans Medical Group	
	1959	1958	1959	1958
I. INVESTMENTS IN SUBSIDIARY COMPANIES				
at cost	163,353	131,253	£	£
Less Amounts written off	21,873	21,873	—	—
As per Balance Sheet	141,480	109,380	—	—
II. TRADE INVESTMENTS				
at cost	2,504	2,506	6,844	2,608
Less Amounts written off	34	34	34	34
As per Balance Sheet	2,470	2,472	6,810	2,574

III. FURNITURE AND LEASEHOLD LAND AND BUILDINGS:—				
As valued in December 1959	980,300	—	1,050,200	—
At cost	—	911,520	21,774	968,279
Less Provision for depreciation and amortisation of leasehold properties	—	262,009	1,093	264,219
	—	649,511	20,681	704,060
PLANT, EQUIPMENT AND VEHICLES at cost	1,070,667	1,012,224	1,174,778	1,094,805
Less Provision for depreciation	660,122	617,572	697,811	649,395
	410,545	394,652	476,967	445,410
TOTAL OF FIXED ASSETS as per Balance Sheet	1,390,845	1,044,163	1,547,848	1,149,470

VII. PAID ASSETS IN FOREIGN CURRENCIES have been converted into sterling at the rates ruling at the dates of acquisition, and current assets and liabilities at the rates ruling at 31st December 1959.

VIII. CONTRACTS FOR CAPITAL EXPENDITURE:—

On buildings and plant amounted to approximately £79,900 (Group £85,250).
Previous year amounted to approximately £35,350 (" £69,350).

IX. CONTINGENT LIABILITIES—Guarantees to Bankers in respect of Subsidiary Companies and Associated Company's Accounts (Parent), Bank Indemnities amounting to £23,072 (Parent).

X. THE ANNUAL ACCOUNTS of Evans Medical (Wales) Limited which became a Subsidiary Company on 1st August 1952 have been made up to 31st December 1959. The trading results for the period of nineteen months ended that date are included in the Group Accounts.

XI. SUBSIDIARY COMPANY NOT CONSOLIDATED—The Accounts of Productos Evans S.A. operating in Brazil have not been included in the Consolidated Accounts, since the Directors are of the opinion that such consolidation would be misleading. The Board of Trade has directed that the Company be exempt from publishing the statements required by paragraphs 15 (4) (b) (c) and 21 (b) of the 8th Schedule to the Companies Act 1948. The cost of this investment was £55,410 and this has been written down to £40,040.

V. MOVEMENT IN CAPITAL RESERVES:—

	Parent Company	Subsidiary Companies	Total
Amount as at 1st January 1959	£ 249,282	£ 15,010	£ 264,292
Deduct Amount applied as Capital distribution of 2d. per 5/- stock unit to Ordinary Stockholders	25,000	—	25,000
Add Sundry Capital profits	224,282	15,010	239,292
Surplus on revaluation of land and Buildings	152	—	152
Surplus on sale of fixed assets (less losses)	203,796	8,406	212,202
Amount as at 31st December 1959	428,230	23,497	451,727

VI. MOVEMENT IN REVENUE RESERVES:—

	Parent Company	Subsidiary Companies	Total
Amount as at 1st January 1959	£ 710,223	£ 66,639	£ 776,862
Deduct Amount applied in paying up 1,000,000 5/- shares as fully paid bonus shares to Ordinary stockholders	250,000	—	250,000
Add Cost of redemption of £24,752 Debenture stock	460,223	66,639	526,862
Transfer from Profit and Loss Account	24,600	—	24,600
Amount as at 31st December 1959	105,776	15,686	121,462
	590,599	82,325	672,924

CITY NOTES

THE return of the institutions as buyers in the industrial equity market has raised hopes that the statistical prophets were wrong in translating a 12 per cent fall from the New Year peak into terms of a 'beaf' market. The institutions cannot stay out of the market indefinitely and the fall this year has made new equity investment possible on a reasonable enough starting yield basis.

Emphasis, however, has noticeably switched from last year's consumer goods favourites to the shares of capital goods companies which have lately been reporting growing order books. Leading machine tool companies have reported a considerable upturn in new orders.

The possibility of further credit restriction measures naturally has to be kept in mind, and the possibility that the effect of any further curbs in that direction might filter through to the capital goods sector is also a matter for some conjecture.

So, too, is the United States industrial position, although a true assessment is inevitably clouded by American political considerations.

International uncertainties add another unknown quantity to the equation now that Mr Krushchev appears to have taken over the Foster Dulles brinkmanship mantle.

Certainly the immediate outlook is not as clear as some optimistic reading of the institutional re-entry to the equity market would seem to suggest. The present pitch of equities appears to be reasonably well justified, but there seems hardly room for any pronounced rise particularly when competition from new issues is taken into account.

RATES AND PRICES

Closing prices, Wednesday, May 18th, 1960

Tax Reserve Certificates: interest rate (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sep. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Mar. 11	£4 11s	8.32d%	April 14	£4 13s	1.10d%
Mar. 18	£4 12s	3.52d%	April 22	£4 13s	0.88d%
Mar. 25	£4 12s	5.03d%	April 29	£4 13s	0.48d%
April 1	£4 12s	5.05d%	May 6	£4 13s	4.70d%
April 8	£4 12s	11.83d%	May 13	£4 11s	1.56d%

Money Rates

Day to day	3-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4½%
<i>Fine Trade Bills</i>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 1/8-1/8	Frankfurt	11.69 3/8-3/8
Montreal	2.74 1/2-75	Milan	1741 1/2-1/2
Amsterdam	10.57 3/8-3/8	Oslo	20.02 3/8-3/8
Brussels	139.81 1/8-1/8	Paris	13.75 3/8-3/8
Copenhagen	19.38 1/2-39	Zürich	12.11 1/2-1/2

Gilt-edged

Consols 2½%	47	Funding 4% 60-90	90
Consols 4%	71 1/2	Savings 2½% 64-67	83 1/2
War Loan 3½%	62 1/2	Savings 3% 55-65	91
Conversion 3½%	62 1/2	Savings 3% 60-70	80 1/8
Conversion 3½% 1969	86	Savings 3% 65-75	74 1/8
Exchequer 5½% 1966	101 1/2	Treasury 2½%	40 1/8
Funding 3% 66-68	83 1/2	Treasury 3½% 77-80	74 1/8
Funding 3% 59-69	82 1/8	Treasury 3½% 79-81	74 1/8
Funding 3½% 99-04	69	Victory 4%	94 1/8

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Lost Share Certificates

SIR, - I refer to the letter by 'Interested' relating to lost share certificates in the March 5th issue of *The Accountant*, inviting suggestions as to any alternative recommendation for amendment of clauses 8 and 9 of Table 'A' for the purpose of simplifying the procedure laid down for obtaining a duplicate certificate. The letter makes interesting reading to those in India whose business it is to ensure compliance with that vast and complex piece of enactment, the Indian Companies Act, 1956 (658 sections).

The Government of India has recently framed a set of rules for the issue of fresh and also duplicate share certificates in replacement of those which are lost, defaced or destroyed.

For the information of your readers outside India, I give below a very brief summary of the regulations. As will be seen the procedure laid down involves trouble and expense to a far greater extent than envisaged under clause 9 of Table 'A' of the United Kingdom Act.

I must, however, at the same time, explain here that these regulations are the consequence of the issue of forged share certificates alleged to have been made on a mass scale involving millions of rupees by directors of certain Indian public companies which are now the subject of prosecution in a number of Law Courts in India. The rules have been framed mainly to prevent such issue of forged duplicate share certificates.

(1) All duplicate share certificates must be issued with the prior consent of the board and on

delivery of the old certificates where they are defaced, torn or where the 'cages' on the reverse have been duly utilized.

- (2) In the case of lost or destroyed certificates the board is authorized to lay down the terms as to evidence and indemnity required by it for the issue of duplicates. Such duplicate certificates must be signed and sealed in the presence of two directors and the secretary. One of the directors signing the share certificate must be an outside director if the composition of the board permits it.
- (3) A register must be maintained to keep records of all such share certificates issued and all entries made in this book and the register of members shall be authenticated by the secretary.
- (4) All forms to be used for issue of share certificates shall be printed. The printing shall be done on the authority of a board resolution. The forms and the blocks, engravings and hues used relating to the printing must be kept in the custody of the secretary who will be responsible for rendering an account of these forms etc. to the board.

Whilst on this subject, I should mention that a clause similar to the provisions contained in clause 9 is included in the Table 'A' of the Indian Companies Act, 1956.

Yours faithfully,

Calcutta.

A. P. CHANDA.

Self-administered Pension Funds

SIR, - In case anyone is misled by the statement in Mr Bryn E. Isaac's article on self-administered pension funds (May 7th issue) that insurance companies may possibly use premiums received in respect of pension business to meet losses in other branches of the business such as motor insurance, I would point out that Section 3 of the Insurance Companies Act, 1958, expressly forbids any insurance company to apply the fund of any particular class of business 'directly or indirectly for any purpose other than those of the class of business to which the fund is applicable'.

Yours faithfully,

R. W. BOSS,

SECRETARY,

London, EC2.

THE LIFE OFFICES' ASSOCIATION.

[Mr Isaac writes: Mr Boss is of course, correct in his statement as to the restriction of the use of fund either directly or indirectly for any purpose other than the class of business to which it is applicable and I regret any implication there may have been in my article to the contrary. Such equalization of losses would be dealt with by transfer through the profit and loss account out of the available valuation surplus and these diversions are normally limited by the articles of association to some 10 per cent of the surplus. As this surplus, however, must originally have been derived from the premiums received, the basic principle of my statement requires no amendment.]

Decimal Coinage

SIR, - Not being prepared to let the 'pence take care of themselves' (reference the leading article in your May 7th issue), I would like to suggest a decimal system of coins which not only retains the £ as its basis but also the pound weight.

The system outlined below extends the present advantage we have over many foreign countries of being able to weigh our silver, to the realms of copper. In passing, I hope that the Mint will use a cleaner metal than copper for any new coins of small denomination and I suggest a stainless ferrous alloy which can be magnetically attracted.

At present the banks can weigh silver to within 6d in £5. By adopting the proposed system they will in future be able to weigh copper to within ½d (½ cent) in 10s (50 cents).

However, the main advantages are as follows:

- (a) retention of present coin dimensions;
- (b) abolition of the 3d bit;
- (c) use of ½ cent (a concession to retailers and transport authorities, but which inflation, I fear, will quickly make pointless);
- (d) reduction in weight of copper coins by about 50 per cent.

Yours faithfully,

J. W. L. NICHOLS.

London, SW1.

COMPARISON OF PRESENT AND PROPOSED COINAGE

Present	Proposed	Material	Equivalent diameters	Edge	Weight in lbs.	Present silver-weight-value equivalent
£1	£1	paper	—	—	—	—
10s	50 cents	paper	—	—	—	—
5s	25 cents	paper	—	—	—	—
—	—	or silver	crown	milled	0.250	5s
2s	10 cents	silver	florin	milled	0.100	2s
1s	5 cents	silver	shilling	milled	0.050	1s
6d	2½ cents	silver	sixpence	milled	0.025	6d
(2.4d)	1 cent	ferrous	penny	plain	0.100	2s
(1.2d)	½ cent	ferrous	halfpenny	plain	0.050	1s
(0.6d)	¼ cent	ferrous	farthing	plain	0.025	6d
1d	for comparison	of weight-value	—	—	—	about 1s 9d
½d	"	"	"	"	"	about 11d

Multi-copy Cheque Sets

SIR, - Can any reader give either the salient points or a source of information where these are given, of the method mainly in use, I believe, in the U.S.A. whereby a multi-copy cheque set is used. I understand that no condensed copy is taken to become the payments' cash sheet, a file of cheque copies taking its place. Another copy is the posting document and additional copies may be taken for other purposes.

Yours truly,

QUERIST.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

SEVENTY-SECOND ANNUAL GENERAL MEETING

Mr David McCloy Watson, LL.B., F.C.A., presided at the seventy-second annual meeting of The Institute of Chartered Accountants in Ireland held in Dublin on May 7th.

PRESIDENTIAL ADDRESS

In the course of his address submitting the Council's report and the statement of accounts for the year 1959, Mr Watson said:

In the domestic field two developments seem to me to have been the most important events of the past year – the amendment of the bye-laws with the primary object of permitting a major change in our system of examination, and the adoption by the Council of the first report of the Policy Committee, the setting up of which was reported by my predecessor at the last annual general meeting.



Mr D. McC. Watson

Apart from authorizing the change in the examinations, the new bye-laws provide for the payment of a fee on the registration of articles and make changes in the constitution and functions of the Examinations Committee designed to fit into the new committee systems made necessary by the growing activities of the Council.

A word about the new registration fee: this new income will to the extent of clerks' subscriptions to the district societies be expended directly for their benefit and will also benefit them by enabling expenditure to be undertaken for educational purposes which could not otherwise have been financed.

There were many problems involved in the change-over to the new examination and much work has been done in devising the regulations made under the new bye-law so as to make the change work smoothly and so that clerks will understand what is involved in their own particular cases. As you know, the old Intermediate examination will be continued until November of this year and the Final until November 1961, but it is the hope of the Council that clerks who will not have two possible opportunities of sitting for the Final will appreciate the desirability of changing over to the new examination at the earliest opportunity.

The field of knowledge with which the accountant must be familiar has become so wide that the scope of our examinations must be correspondingly enlarged and in this background I think there will be general agreement with the idea of spreading the examinations over five parts. The change also has the merit of requiring a steady application to a study of theoretical

knowledge over the whole period of service under articles instead of making possible the cramming of studies into two periods of intensive preparation for the present examinations. I am confident the result will be a better standard of knowledge and proficiency in the future members of the Institute.

Future Development of the Profession

I would like at this point to refer to the future development of the profession. While it is fundamental that the training of clerks should be designed to fit them for practice as accountants, the record shows that 50 per cent of our members are engaged in industry and commerce and this fact should make us ponder.

The new examination which fits all the law papers into the third part, makes possible an increase of emphasis on costing and management accounting in Parts IV and V. But, of course, this change does not mean in any sense that our newly-qualified men will in future be specialists in these subjects, but rather that they will have a better grounding than in the past in the fundamental principles of them. The Education Committee which did the work leading up to this change in our examinations, has always been of the opinion that specialization should come *after* qualification and that the examinations leading to admission should not be over-specialized. This, I think I may say, is the view of the Council, but perhaps it may be wise to consider whether we should not take a more direct part in assisting those members who, after admission, wish to specialize either with the object of fitting themselves for a career in industry or to extend their service to clients to some part of the field which up till now has largely been covered by consultant firms.

I have mentioned the Policy Committee report as one of the important domestic events of the year and I think I should say something of the committees which have been set up as a result of the recommendations in that report and how it is proposed that these committees shall operate.

The object of the committees is of course to relieve the Council of a mass of detail and allow it to concern itself with matters of broad principle which will come forward in recommendations from the various committees. Each of the committees, except for the Finance and General Purposes Committee, comprises northern and southern sections with separate conveners and liaison between these conveners. This arrangement will expedite business by facilitating the calling of meetings for special local matters in either territory, but matters of more general interest will of course be considered by the full committee. This plan appears to be specially apt in the case of the Parliamentary and Law Committee and the Taxation Committee.

As I have said, the new organization should enable the Council to extend its activities by giving attention to matters which, in the past, time did not permit it to

consider. Further, I think it would be of considerable value if the committees, particularly the Parliamentary and Law and Taxation Committees, could be assured of the co-operation of the district societies from whom recommendations and suggestions on various matters of interest to the profession would be welcome. The more minds which can be directed to the consideration of any problem, the likelier that the resulting action will be soundly based and generally acceptable.

What I have said, I think, indicates the way in which the district societies can contribute increasingly to the value of the work which the Council can do for the profession and for the improvement of its standards and the service its members can render to the public either in the broader field of practice or in the more specialized field of commercial or industrial activities.

If I may express a personal opinion regarding our Institute and our profession, I would like to suggest that any eminence or pre-eminence we have, or may hope to have, must be based on the quality of the men and women whom we train and admit as members, whether to practise as public accountants or to fill appointments in industry and public service. Perhaps we should do more to publicize the profession and inform the public regarding the services we can offer; perhaps we have been lacking in appreciation of a need for better public relations. I don't know, I have an open mind, but I do feel that increased publicity must never be put in the place of the ideal of quality, of efficient service and professional integrity. Let us put these ideals in the forefront.

Company Law Reform

Reference is made in the annual report to the Companies' Bill at present before the Northern Ireland Parliament and to the adoption by the Minister of the recommendations of the Institute. I don't intend to refer to the Bill or the recommendations in detail, but I think I should refer to the provisions of clause 155 which deals with the appointment of auditors. This clause follows clause 162 of the Companies Act, 1948, so far as concerns the qualifications of persons who may be appointed, but it extends the 1948 Act provisions by making them apply to all companies whether private or public. No doubt the private company is relatively of greater importance in Northern Ireland than in the rest of the United Kingdom, a fact which possibly influenced the Minister in adopting this change, but one would hope to see the same pattern followed when, as seems certain, after the Jenkins Committee has reported, new companies legislation is introduced in the United Kingdom.

In the Republic, pressure of other legislation appears to have delayed the consideration of companies legislation and since the limited reforms of the Companies Act, 1959, no further amendment of the law

relating to companies has followed from the Company Law Commission's report of 1958.

It is true that the Republic's economic organization is not so complicated as that of the United Kingdom and there are few large companies carrying on varied activities through other companies in a group. But this position will change and is changing, and the need for a revision of our company law is more urgent now than it was some years ago. I hope therefore that the introduction of amending legislation will not be unduly delayed. Meantime, as a profession, we should do what we can to persuade clients to present their accounts both as regards form and content in a way more in keeping with the best modern practice. If in some cases such a change draws attention to a disparity between earnings and capital employed, the realization of this state of affairs, and the knowledge that shareholders are also aware of it, should prove a stimulus to management and ultimately benefit not only the shareholders but the economy at large.

Gentlemen, that concludes my remarks on the year's activities, but before I propose the adoption of the Council's report and accounts I want to say how much I in particular, and the members in general, are indebted to Mr Orr, the Secretary, for his unsparing enthusiasm and devoted service to the interests of the Institute. My best thanks are also due to your Vice-President, Mr George Cameron, whose support I have enjoyed to the full, and to my colleagues on the Council for the continued support which they have given me during my year of office.

I now formally propose the adoption of the Council's report and statement of accounts and ask Mr Cameron to second the proposal.

The Vice-President, Mr G. E. Cameron, having seconded the motion, the report and accounts were adopted.

ELECTIONS

New President and Vice-President

As announced in last week's issue of *The Accountant*, Mr George Edmund Cameron, F.C.A., Belfast, was elected President for the ensuing year, and Mr Alfred Ernest Dawson, F.C.A., Dublin, was elected Vice-President.

Elections to Council

The following five retiring members of Council were declared re-elected, no other nominations having been received: Messrs G. A. P. Bryan, Belfast; John Love, Dublin; R. J. Neely, Belfast; R. P. F. Olden, Cork; D. McC. Watson, Dublin.

Election of Officers

Mr T. D. Lorimer, Belfast, was re-elected Joint Secretary and Treasurer, and Mr William Duffield and Mr H. H. Forsyth were reappointed auditors.

BENEVOLENT ASSOCIATION

The thirty-first annual meeting of The Irish Chartered Accountants' Benevolent Association was held at *The Royal Hibernian Hotel*, Dublin, on Saturday, May 7th, prior to the annual meeting of the Institute.

The President, Mr D. McC. Watson, B.A., LL.B., F.C.A., was in the chair, and there were twenty-seven members present.

On the proposal of Mr A. E. Dawson, seconded by Mr James Walker, the report and accounts were adopted.

The Honorary Auditors, Mr William Duffield and Mr Harry Hollingsworth Forsyth, were unanimously reappointed on the proposal of Mr D. W. Pratt, seconded by Mr A. S. Boyd.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS' NINETIETH ANNUAL GENERAL MEETING

The ninetieth annual general meeting of the Liverpool Society of Chartered Accountants was held at the Constitutional Club, Liverpool, on May 9th, with the President of the Society, Mr C. J. Peyton, F.C.A., in the chair.

REPORT FOR 1959

According to the report of the committee for 1959, which was presented, the Society's total membership increased from 971 to 1,002 at December 31st. The year was one of continued activity: several lecture meetings were held, while local discussion groups for practising members and for those in industry, and the study group for newly-qualified members all held regular meetings during the spring and autumn. A residential course on management accounting arranged in conjunction with the Merseyside Productivity Association again took place at Chester and was most successful.

For students, two series of Saturday morning lectures were arranged by the Education Joint Tuition Committee; each session consisted of fourteen lectures during the period preceding the May and November examinations. There were also three introductory lectures held in January for newly-articled clerks and the report states that the number of students enrolling was the highest for some years. In addition, two highly successful residential courses organized in conjunction with the Manchester Society were held at Burton Manor.

THE PRESIDENT'S ADDRESS

Before moving the formal business of the annual meeting, the President of the Society referred to the death on April 23rd of Mr George Saunders, F.C.A., a former member of the committee of the Society and President in 1949-50 and who had been the Society's representative on the Council of the Institute since 1943. He continued:



Mr C. J. Peyton

our problems. I ask you to rise and stand in silence for a few moments as a token of our respect for him.'

'His work for our profession and his contributions to the business life of this city will be remembered with gratitude for many years to come. A great many of us will miss sorely his wise counsel and his willingness to help with

The Industrial Accountant

Continuing Mr Peyton said:

'During my year of office, I have been privileged to meet and work with many of the practising members. It has given me an opportunity to understand many of their problems. The one thing that has impressed me most as an industrial accountant is the similarity of views and outlook of the accountants in practice and those in industry and commerce. Both are striving to assist their clients or employers in building highly successful businesses. Both are striving to enhance the high regard by which members of our Institute are regarded by the public. We enjoy a reputation of integrity in all our dealings of which we are very proud, and which all our members are determined to maintain.'

Management Accounting

'A great deal is heard these days of the attributes of management accounting. Unfortunately, the impression gained by many is that it is only applicable to large undertakings and to be practised only by the larger firms. This of course is not so, for the subject ranges from a simple re-statement of basic accounting data to advanced systems of budgetary control. In my view, every practitioner can interest his clients in some form of management accounting by ensuring that the annual accounts are presented in a form clearly stated and easily understood by the man in the street. It is remarkable how useful a statement of accounts can be made by close attention to grouping of expenses and where possible, or applicable, relating them to the income side of the business.'

'No one starts a business without a plan and some form of simple budgeting must interest every business man no matter what size the business is. Many business men would be saved hours of anxiety if they could be encouraged to forecast the cash position extending to a reasonable time into the future. This applies not only to our members in practice, it also applies to some members in industry and commerce where there are still many businesses operating today without this aid to management.'

'The plain fact is that this aid can often be given by the use of records already in existence coupled with reasonable foresight of the management and its advisors.'

Management Ratios

'I think that we will in the future be hearing more on the use of management ratios. They can be applied to any business or professional practice and provide useful data in watching the trends in an organization or professional office as well as being a basis for comparison between similar organizations where the co-operation of those organizations can be obtained. I feel that we hear too much about the ratios of gross profit to turnover and not enough about such important ratios as profit to capital employed, labour cost to cost of turnover, the ratio of profit to fixed assets, the ratio of fixed assets to capital employed, to mention but a few.'

'I feel that the future will see a greater attempt to assess the profit that a business should earn on the basis of a reasonable yield from each factor of the capital employed rather than a set return on turnover. Competition at home

and overseas is bound to grow in intensity and the fixing of reasonable yet proper profit margins must be given very close attention. It is essential that such margins be fixed at the proper level, and our experience and skill can be of great value to our clients, in advising them in this difficult problem.'

The Society's Year

'Naturally I like to think that the Society's year now ending has been a good one, and if that is so, then a lot of the credit must go to the officers, committee and members who have worked so untiringly throughout the year. Our activities cover many fields - fields that would not be possible were it not for the many members of the Society who give of their time so willingly. I am sure you would like me to thank them for their work during the past year.'

Tribute to President

A vote of thanks to Mr Peyton for his services as President during the past year, proposed by Mr J. F. Allan, F.C.A., the Immediate Past President, was received with acclamation. The President suitably replied.

ELECTION OF OFFICERS

At a committee meeting of the Society held on May 11th, Mr Joseph Meskell Harvey, M.B.E., F.C.A., was elected President for the ensuing year, and Mr Philip Cuthbert Lloyd, F.C.A., Vice-President.

Mr Harvey, who is fifty-one, was educated at Mount St Mary's College, Derbyshire, where he became Captain of the school, and was articled to Mr G.

Kenneth Cook, F.C.A., of Messrs Harmood Banner, Lewis & Mounsey. Admitted an Associate of the Institute in 1931, he joined the firm of Messrs Finney, Son & Sadler, of Liverpool, for a period of two years and then became a member of the staff of Messrs Chalmers, Wade & Co. He was admitted to partnership in 1938 and in the same year was elected to fellowship of the Institute.



Mr J. M. Harvey

Mr Harvey was divisional officer for the central division of the Liverpool Auxiliary Fire Service in 1938 and transferred to the Home Guard on its formation as chemical warfare officer of the 17th Cheshire Home Guard.

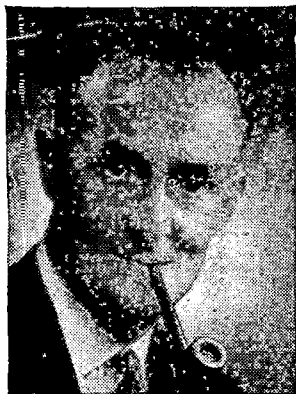
Outside his professional work, he is chairman of the Wirral Conservative Association, and vice-chairman of the Apostleship of the Sea in Liverpool. He is also honorary treasurer of Heswall Golf Club. In 1958 Mr Harvey was awarded the M.B.E.

Mr John Howard Bradley, F.C.A., was elected honorary secretary and Mr James Malcolm Harrison, T.D., B.A., F.C.A., was re-elected honorary treasurer.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS Thirty-first National Cost Conference

In the course of his presidential address at the thirty-first national cost conference of The Institute of Cost and Works Accountants at Blackpool on Friday

of last week, Mr Edward Emmerson, F.C.A., F.C.W.A., charged the Government and local authorities with spending far too large a proportion of the national income.



Mr Edward Emmerson

Industry's Sleeping Partner

'The risks involved in the development and marketing of new products are great,' said Mr Emmerson, 'and when success is achieved, the sleeping partner in Whitehall, who undertakes to bear no losses, wakes up and

avidly pockets his share.' He added. 'One of the best ways to stimulate the increased productivity so desirable from the country's standpoint, would be to allow industry and the individual to retain a much larger share of their earnings than they can under the present levels of taxation.'

Criticizing the Chancellor of the Exchequer for

increasing the profits tax, Mr Emmerson pointed out that while the Chancellor had said he did not wish to hamper industrial investment and was therefore continuing the investment allowances, he was, by the increase in the profits tax, taking away a larger amount of the funds which industry needed to retain for development and the reward of capital. Retained profits, said Mr Emmerson, form an important source of capital for industrial development and in medium sized and smaller concerns, profits were frequently the only practicable source from which capital for development could be obtained. With this source reduced so substantially by taxation and with the incidence of death duties on the family business, it was small wonder that some of the small firms were succumbing to the take-over bidder. The continuance of competition from efficient medium and small firms was vital to the country's economy, but high taxation and death duties exercised a crippling effect on their development. The use of estate duties, which were taxes on capital, for current expenditure was in his view unsound, such duties should be used for debt redemption or other capital purposes.

Pointing out that income tax and profits tax now took in cash over half the net profit, as against less than a quarter twenty-five years ago, Mr Emmerson attacked the system by which, for taxation purposes, depreciation allowances are computed on historical

costs and not on replacement values. This, he said, was a substantial drain on a firm's liquid resources; the funds necessary for replacement of existing assets and for development were being 'siphoned away by the Government'.

National and Local Government Spending Too High

Dealing with the Government's appeal for reduced prices, Mr Emmerson said:

'It is all very well for the Government to exhort industry to reduce prices when the cost of Government and local services continues to increase. This appeal for price reduction followed closely on the doubling of industrial rates assessments by the derating of industrial premises being altered from 75 per cent to 50 per cent. Without reductions in the rate poundage, the effect has been to double the charges to industry for the services provided by the local authorities. During the year, charges for some services provided by nationalized industries, have also increased substantially. Should not the Government and local authorities lead by example rather than advice? In many industries the prices have to be fixed a long time ahead and heavy additional burdens such as the rate increase have severe psychological as well as material effects on the policies of industrial managements.'

It was time, said Mr Emmerson, 'that the Government called a halt to the vast increases in Government and local authority spending and drew the line between what is essential and what is merely desirable'.

Following the official opening on Thursday, the conference was addressed by Sir George Pollock, Q.C., Director of the British Employers' Confederation, on 'Industrial Relations'.

The system of collective representation had now grown to such an extent, said Sir George, that the wages and conditions under which the whole of the labour force operated was now governed either directly or indirectly by the machinery of collective bargaining.

Four Assumptions

He thought there were four assumptions on which an approach to this subject should be based. First, that the majority of both management and men want to get on with the job; secondly, that trouble-makers among unions and employers are in a minority; thirdly, that management wants to expand, get more business and make more profits; and fourthly, that labour wants increasingly to share in industrial prosperity.

Whereas in the past industrial discords had stemmed largely from adversity, today they were largely the problems of prosperity. In the best year between the wars, he said, the people of Britain, taken as a whole, did not have it so good as in the worst year since the wars. The trade unions were no longer fighting for the downtrodden, the oppressed and the under-privileged. They now appear in the role of big pressure groups, enjoying a position of privilege under the law not even shared by the great departments of State. If any criticism was to be directed at them, it was that some of them did not have a sufficient measure of authority over their own members, that their leaders were not sufficiently rewarded for the

responsibility which they bore and consequently that men of the right calibre were not being attracted to replace them.

Responsibility of Management

Troubles did occur and would continue to occur, and trouble among the rank and file of the unions could best be dealt with by the unions themselves. The basic responsibility for good industrial relations rested, however, on management and management here had an important duty to see that it did not aggrandize the trouble-makers and to ensure, wherever possible, that the seeds of trouble fell on stony ground. The worst disservice an employer could do to himself was to concede to the trouble-maker more than the responsible trade union leader could justify in negotiation.

What did an employer want out of industrial relations? asked Sir George. Obviously he wanted a happy, contented and industrious labour force because he saw in this the way of keeping his labour costs per unit of production as low as possible. He could keep his costs low in one of two ways: by simply refusing, for a time, at any rate, to put more money in the pay packets of his men, or by endeavouring to get more production for the same money. It was easy to say that the second alternative was obviously the better, but it was not so easy to put into practice. Recently a lot of people had had a lot of money for doing no more work. It was to be remembered that the union negotiator assumed that he would get more money for more work and that his real job was to get more money for the same work. The ideal situation would be reached if national increases in incomes could be related to national increases in output.

Industrial Relations Generally Good

If they started from the point that the object of industrial relations was to have a happy and contented labour force, the next obvious question was: Were they getting it and if not why not? The answer to the first part of the question was that, generally throughout British industry, relations between managements and their workpeople were good and improving. But there were serious blots on the landscape. Statistics produced by the Ministry of Labour of days lost by unofficial strikes were quite misleading since they related only to men stopped in the undertakings in which strikes occur. For example, the British Oxygen strike last October showed 2,000 men on strike, whereas 60,000 were rendered idle. A significant feature of unofficial strikes was that they occurred not where pay and conditions of employment were bad, but where pay and conditions of employment were good. They occurred in the high-paying, highly unionized sections of industry, like motor-car production, exhibitions and the launching of ships. These were the vulnerable sections of industry because of the large amounts of money which the managements had at risk.

Sir George thought it would be fair to say that all employers really wanted from the collective bargaining system was that agreements freely entered into should be observed. No one could complain of hard bargaining over terms. Hard bargaining was a part of our toughly competitive life. But once the bargain had been struck, it should be observed until a new bargain was made.

BUSINESS SESSIONS

At the business sessions on May 13th, two papers were discussed. The first, entitled 'The profit story', was presented by Mr D. A. J. Manser, F.C.A., F.C.W.A., chief accountant, Davy United Ltd; the second, on 'Successful inter-firm comparisons', was given by Mr A. Kershaw, T.D., F.C.W.A., deputy director, The National Hosiery Manufacturers' Federation. The papers are summarized below.

The Profit Story

Mr Manser, dealing with 'The profit story' - the name given to the monthly management accounts in his organization - said that the historical cost information provided, comprised standard profit on actual deliveries for the four- or five-week period just elapsed (showing variances due to sales price and volume), plus standard and actual profits to the end of the preceding period. By this method not only was it possible to present the profit story on the third working day of each period, but also executives down the line of management had time to study their cost variances before these were incorporated into the report.

A large part of the business of the organization comprised large-scale contracts. Some weeks were required to finalize the costs of these contracts, so that while cost variances analysed by responsibility were available one month in arrears, variances analysed by contract were at present reported two months in arrears.

Cost control on these contracts was exercised by reporting variances between the selling price estimate, and the subsequent planned estimates, showing design, buying, and rate-fixing variances.

Other information provided included the order-book position, schedules of capital expenditure and capital employed, and a movement of funds statement. Studies of stock movements, overdue debtors, etc., were included as appendices. The chief accountant's commentary covered some ten to fifteen pages.

This type of presentation was submitted by Mr Manser as a contribution towards maximizing the effective output of top management, which he considered the most important problem in industry today.

Inter-firm Comparison

Mr Alan Kershaw spoke about schemes of inter-firm comparison, which consist of a voluntary exchange of information regarding costs, performance, efficiency, prices and profits between firms engaged in similar types of operation. The information was normally exchanged on an anonymous basis, under code numbers, and for this reason was collected and disseminated by experienced third parties.

The organizers had to exercise ingenuity in deciding which were the most important matters to exchange, and the scheme required to be sufficiently comprehensive to give indications of the cause and controllability of variances between the costs of the various participants.

The existence of a uniform method of analysis and allocation of overheads was a pre-requisite to successful systems of cost comparison.

It was necessary also to devise a method of reporting

which would not reveal the size of individual businesses and so break the anonymity of the presentations.

In the hosiery industry, from which Mr Kershaw's illustrations were taken, the profit and loss figures were shown as ratios, to numbers of dozens sold, and as percentages of sales value.

In this scheme the ratio of net profit to capital employed was not used for inter-firm comparison, due to the difficulty of valuing capital employed on a comparable basis. A guide to the rate of capital turnover was obtained by comparing stock turnover rates, output per machine, days credit allowed, and the relationship of debtors to creditors.

The participants in such a scheme benefited by keeping up to date with trends, and obtaining guidance to possible inefficiencies in their own economies. For the industry as a whole the scheme could reduce unfair competition, and weak selling through lack of knowledge.

PRESENTATION OF INSTITUTE'S SILVER MEDAL

At the commencement of the first business session, the President of the Institute awarded to Mr Frank Leadbetter, F.C.W.A., F.C.I.S., the Institute's silver medal in recognition of his long and consistent service to the Institute and the profession. Mr Leadbetter, a former member of the Council of the Institute, was a member of the Costs Subcommittee of the Cotton Industries Working Party and a member of the Cotton Manufacturing Commission. He has played a significant part in the development of costing techniques in the textile industry.

BANQUET

The conference banquet was held at *The Imperial Hotel* Blackpool, on May 13th, presided over by the President, Mr Emmerson. A toast to the Institute was proposed by The Rt. Hon. the Earl Peel and Mr Emmerson replied. The toast of 'The Guests' was proposed by Mr James Borsay, F.C.W.A., a Past President of the Institute, and Alderman E. Machin, J.P., the Mayor of Blackpool, responded.

Among the guests present were Mr C. U. Peat, M.C., M.A., F.C.A., President, The Institute of Chartered Accountants in England and Wales, and Mrs Peat; Mr J. E. Harris, B.COM., F.A.C.C.A., President, The Association of Certified and Corporate Accountants; and Mr J. B. Esslemont, J.P., M.A., B.COM., LL.D., C.A., F.I.M.T.A., President, The Institute of Municipal Treasurers and Accountants, and Mrs Esslemont.

ANNUAL GENERAL MEETING

The forty-first annual general meeting of the Institute was held last Saturday, when, as announced under 'Weekly Notes' elsewhere in this issue, Mr W. S. Risk, B.COM., C.A., F.C.W.A., was elected President for the ensuing year.

An extraordinary general meeting followed the annual meeting, at which three special resolutions to amend the memorandum and articles of association and the name of the Institute were submitted. The resolutions, which were referred to in *The Accountant* of May 7th, were carried.

A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

Office in a Cupboard

PROFESSIONAL men who suffer from lack of office space, or those who have to work at home, may find a use for the ingenious Scandinavian-made *Home Office*. Closed, this device resembles a plain wooden cupboard and measures 21½ in. from back to front, 45½ in. high, and 32½ in. wide. Opened, it reveals a wide variety of internal fittings and is about twice the width.

A shelf at the centre back has sufficient room for a typewriter which, when in use, can be moved forward on to the pull-out table. The size of this table top, which occupies the entire width of the closed cabinet, is further augmented by two collapsible wing sections, thus providing plenty of writing space.

Flanking the typewriter compartment are three sets of four shelves each, suitable for stationery or sundries. Below the desk flap is a large shallow drawer, more shelves, and a 'bookcase' large enough for four box-files. For smaller files there is a compartment containing vertical plastic separators which lock into a base-plate and hold the folders upright.

A final touch of comfort is supplied by a built-in reading lamp.

Price: £65.

Badenia Calculators Ltd, Lion House, Red Lion Street, London, WC2.

Change-giving Cash Register

THE battle for and against decimal coinage is endemic. But few people will dispute that, for most of us, change-counting is a tiresome (and all too often inaccurate) task.

A new cash register in the *National* series, which both computes and dispenses change in sterling, will therefore offer benefits to retailer, employees and customers alike.

Transactions are carried out in the usual manner on a machine with a standard push-button keyboard. The customer's purchases are entered one by one and totalled, each step being printed on a ticket for the customer and duplicate tally roll inside the machine.

The customer then hands money to the cashier, who enters the amount on the keyboard. The machine

computes the change required, and automatically disburses the coins into a receptacle from a dispenser linked electrically to the cash register. (Notes are passed from hand to hand in the usual way.) The amount of cash given and change due are printed on the receipt slip and are simultaneously shown on an indicator visible both to customer and cashier.

The coin dispenser measures 13½ in. by 15 in. by 7 in. and holds a total of nearly 700 coins in seven different denominations. Coins are stacked in individual columns calibrated so as to allow the cashier to assess at a glance the value of the money in each channel. When any channel is nearly empty, a buzzer signals to this effect.

Prices vary – machines are 'tailored' to requirements.

The National Cash Register Co Ltd, 206–216 Marylebone Road, London, NW1.

Typist's Copyholder

A GOOD copy typist can work faster and more comfortably, and a poor operator is likely to be less inaccurate if the *Eyeline* copy stand is used. This device, suitable for use with a typewriter or other machine, holds the paper at a convenient level behind the platen, and is itself kept firmly erect by a thin base-plate which is inserted beneath the back feet of the machine.

An amber-tinted cursor shows up the line under review and slightly magnifies it. Copy is moved by a large knob which lies alongside the machine keyboard.

Paper up to 16 in. or wider and any length (even continuous) can be inserted into the holder. It is finished in beige stove enamel. A reading lamp, designed for use with it, is available as an optional extra.

Price: £4 4s. Reading lamp: £1 5s.

Faunch Metal Forms, Hockliffe, Leighton Buzzard, Beds.

Economical Photocopier

QUITE a significant sum of money can be wasted through photocopying mistakes made by a careless or unskilled operator. This wastage, regrettable though often unavoidable, can be cut in half by using the *Dalcopyer*, a machine which makes a readable white-on-black copy from almost any type of original for a total cost of 3d per quarto sheet.

This copy may be used immediately as a master from which as many additional black-on-white copies as are required can be made. Alternatively, it may be filed away for any length of time and used subsequently.

The machine also has the unique ability of being able to make excellent reproductions from photographs or half-tones. The quality of its performance can be judged by a completely unpremeditated trial which occurred during a private demonstration to the writer, who produced a private letter written on blue paper

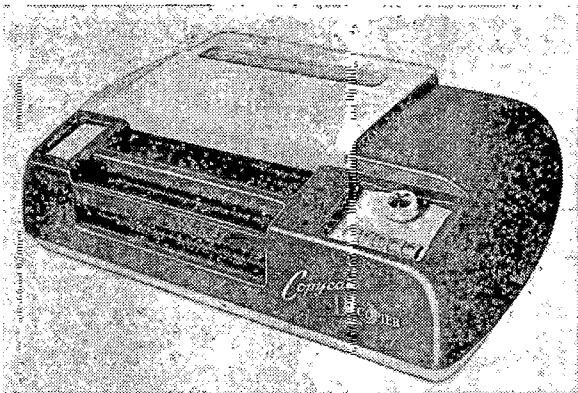


A customer takes her change from the dispenser 'cup' while receiving the printed cash register slip

Equipment

in blue ink. The copy was significantly better in contrast than the original, in spite of the fact that blue is a notoriously difficult colour for photocopiers.

The *Dalcopier* can be used in ordinary day or artificial light, provided there is no direct glare. It can copy from single- or double-sided opaque originals



The Dalcopier

written in pencil, ink or ballpoint, rubber-stamped, drawn or printed in any colour or combination of colours.

It can also be employed for making translucent 'masters' for use in dyeline machines. An extra-fast paper, suitable for exposure in microfilm readers, enlargers and similar machines, can be printed in the *Dalcopier* in twenty seconds.

Price: £95.

Copycat Ltd, 40 Victoria Street, London, SW1.

Centralized Dictation System

MINIMAL installation costs, a high degree of flexibility and inexpensive machines are three of the virtues of the new *Centradic* centralized dictation system. Recordings are made direct from any telephone on an existing PAX system, which usually needs no adaptation. Thus the only wiring needed is a cable from telephone room to audio-typing pool.

Each typist has a pair of *Sterovette* tape recorders mounted one above the other on a small rack, control equipment being contained in a small plinth. This layout permits her to transcribe from one machine while recordings are made on the other.

To find a machine, the executive lifts his internal phone and dials a single, pre-arranged digit. The 'hunting' device on the internal phone exchange finds a free machine automatically and connects him to it. A buzzer and light warn the typist, who can converse with the executive through the dictating machine's microphone and headset, or simply press a 'dictate' button. The dictator is notified when dictation may begin by automatic audible signals; controls the

machine through movements of his telephone plunger and use of the dial.

If no machine is free, the caller is connected to the pool supervisor's phone. During dictation the executive cannot be interrupted by incoming calls. If, however, he prefers to be available, this facility can be arranged.

A faulty machine can be replaced in a matter of moments. The typist removes the dud from the rack and substitutes a standby. A new machine position can be added to the system at any time; and any executive with an internal phone can use it.

Office Machinery Ltd, 169 Tottenham Court Road, London, W1.

Fast, Automatic Office Copier

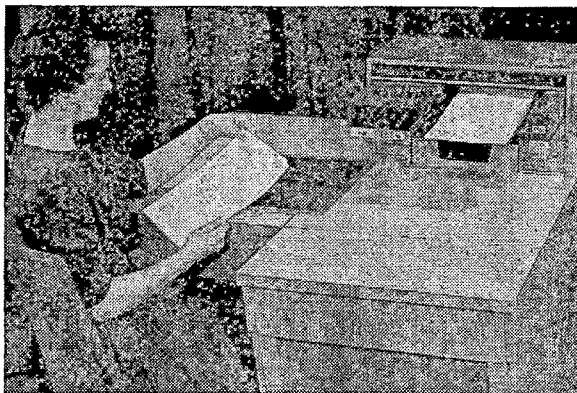
FIRST machine ever to make automatic high-speed copies of opaque office documents is the *XeroX 914*. Intended solely for large-scale users (one hundred copies or more per day), it makes six facsimiles per minute at a lower cost than any machine performing a comparable function.

Originals may be in any colour, written, printed or drawn, in loose-sheet form or bound into books, and may vary in size from 8 in. by 5½ in. to 9 in. by 14 in. All the operator need do is lay the original face down on a glass screen on top of the copier's desk-size console. She then sets a dial for the number of prints required, presses a button, and awaits results. The dial may be set at any number from 1 to 15 and after 15 to infinity. The machine automatically counts copies as they are made, delivers them into a tray in front, and stops itself when the required number is reached.

The *914* uses the xerographic process, which is all-dry, and prints on plain, unsensitized paper. The makers offer it on a rental basis only, at £30 per month with a basic allowance of 2,000 copies. The all-inclusive per copy cost varies according to usage. For one hundred copies per day it works out at about 4½d; for 250 per day, 4d. Copies over the initial 2,000 per month allowed under the rental system are charged at 3d each.

Copies are brilliantly clear, even when taken from originals on poor paper and in very small type. First deliveries of the machine will be made in November this year.

Rank-Xerox Ltd, Mortimer House, Mortimer Street, London, W1.



The XeroX 914

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The 108th meeting of the Taxation and Research Committee was held at the Institute on Wednesday, April 27th, 1960, at 10.30 a.m.

Present: Mr A. H. Proud (in the chair); Messrs G. F. Ansell, C. W. Aston, R. D. R. Bateman, M.B.E., C. J. M. Bennett, C. V. Best, R. P. Brown, K. A. Buxton, W. R. Carter, J. Cartner, R. A. Chermiside, J. B. L. Clark, C.B.E., L. H. Clark, N. Cassleton Elliott, N. B. Hart, O.B.E., T.D., W. S. Hayes, G. N. Hunter, H. Kirton, S. Kitchen, E. N. Macdonald, D.F.C., G. P. Morgan-Jones, J. D. Rækie, D. W. Robertson, H. C. Shaw, H. Eden Smith, A. E. Spicer, D. E. T. Tanfield, A. G. Thomas, F. J. Weeks, G. H. Yarnell, and Messrs C. Romer-Lee and W. B. S. Walker, with the Secretary and Assistant Secretary.

The late Mr George Forrest Saunders, F.C.A.
The Committee heard with much regret that Mr G. F. Saunders had died on April 23rd, 1960. Mr Saunders had been a member of the Committee from 1942 to 1950, and was Chairman during the year 1948-49.

The Committee stood in silence as a token of respect.

Mr D. Steele, F.C.A.

The Committee was informed of the resignation from the Committee of Mr D. Steele on his appointment to the Council. The Committee recorded its appreciation

of the work of Mr Steele as a member of the Committee since 1958 and as a member of the Taxation Sub-Committee.

Standing Sub-Committees

Progress reports were received from the following Standing Sub-Committees:

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad hoc Sub-Committees

Progress reports were received from three special sub-committees.

Future Meetings

The next meeting of the Committee was arranged for Thursday, June 16th, 1960, and the following provisional dates for future meetings have been fixed:

Thursday, September 22nd, 1960.
" October 20th, 1960.
" December 8th, 1960.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

- An Accountant's Working Papers; by F. A. J. Couldery, A.C.A. 1960. (Presented, Gee, 18s 6d.)
An Accountant's Working Papers; by L. H. Trimby, F.C.A. 1960. (Presented by the author. Pitman, 35s.)
Aspects of Audit Control; by A. Chanda. (Delhi). 1960. (Asia Publishing, 19s.)
Britain and Europe: a study of the effects on British Manufacturing Industry of a free trade area and the common market. (Economist Intelligence Unit.) 1957. (E.I.U., 15s.)
British Monetary Experiments 1650-1710; by J. K. Horsfield. 1960. (Bell, 45s.)
Committee on the Working of the Monetary System: minutes of evidence. (Parliament.) 1960. (H.M.S.O., 140s.)
Committee on the Working of the Monetary System: principal memoranda of evidence. 3 vols. (Parliament.) 1960. (H.M.S.O., 130s.)
Company Law; by H. Goiten. 1960. (English Universities Press, 25s.)
Computers and People; by J. A. Postley. New York. 1960. (McGraw-Hill, 46s 6d.)
Concentration in British Industry; by R. Evelyn and I. M. D. Little. Cambridge. 1960. (C.U.P., 55s.)
Directory of Opportunities for Graduates 1960. (Cornmarket Press.) 1959. (Cornmarket Press, 8s 6d.)
*Dymond's Death Duties; by R. Dymond; thirteenth edition by R. K. Johns. Two vols. 1960. (Solicitors Law Stationery Society, 147s.)
Economic aspects of Fuel and Power in British Industry. (Manchester Joint Research Council.) 1960. (Manchester University Press, 25s.)
The Growth of British Industrial Relations: a study from the standpoint of 1906-14; by E. H. P. Brown. 1959. (Macmillan, 42s.)
The Investor's Manual 1960 . . . incorporating highest and lowest prices and dividends 1950-1959. . . . (N. Cholas Kaye.) 1960. (Straker Brothers, 16s.)
Irish Income Tax and Corporation Profits Tax; by H. A. R. J. Wilson, F.C.A., and F. N. Kelly. 1957. Second supplement 1959. (H.F.L., 35s and 10s.)
The Law of Estate and Gift Duties in New Zealand; by E. C. Adams: third edition. 1956. (Butterworth, 85s.)
The Lawyers Directory. (Lawyers Director): seventy-seventh edition. Charlottesville, Virginia. 1959. (Lawyers Directory, 378s.)
Life in the Crystal Palace; by A. Harrington. 1960. (Jonathan Cape, 18s.)
The Means to Prosperity; by J. M. Keynes, S. H. Slichter and others. Buffalo. 1959. (Smith, Keynes & Marshall, 11s 6d.)
Modern Business Statistics; by J. E. Freund and F. J. Williams. (New York.) 1959. (Pitman, 50s.)
Parliament of Commerce: the story of the Association of British Chambers of Commerce 1860-1960; by A. R. Hersic and P. F. B. Liddle. 1960. (Newman Neame, 30s.)
*Principles of Accounting; by S. W. Rowland, F.C.A.: sixth edition by G. A. Holmes, F.C.A. 1960. (Donnington Press, 27s 6d.)
Professional Practices in Management Consulting. (Association of Consulting Management Engineers.) (New York.) 1959. (A. of C.M.E., 22s 6d.)
Purchasing for industry and public undertakings; edited by F. Kay. 1960. (Pitman, 25s.)
Retail Budgetary Control and Costing: an introduction; by N. Thornton. 1960. (Business Publications, 35s.)
*The Secretary's Manual on the law and practice of joint stock companies with forms and precedents: revised twenty-fourth edition by T. P. Rogers and L. H. L. Cohen. 1959. (Jordan, 45s.)
The Story of Investment Companies; by H. Bullock. New York. 1959. (Columbia University Press, 48s.)
The Theory of the Growth of the Firm; by Edith T. Penrose. Oxford. 1959. (Basil Blackwell, 35s.)
Understanding Put and Call Options: how to use them to reduce risk in your stock-market operations; by H. Filer. New York. 1959. (Crown Publishers, 24s.)
The Valuation and Development of Petrol Filling Stations; by J. R. E. Sedgwick. 1960. (Estates Gazette, 25s.)

* These books have been presented to all District Society Libraries under the grant of books scheme.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS W. E. RATNETT & Co, Chartered Accountants, of 6 Blagrove Street, Reading, announce with deep regret the sudden death of Mr WALTER E. RATNETT, F.C.A., on May 12th, 1960.

MESSRS AUERBACH, HOPE & Co, Chartered Accountants, of 82 Portland Place, London, W1, and 46 Market Place, Reading, Berks announce that Mr STUART S. DOVE, A.C.A., has been admitted a partner as from April 11th, 1960. The style of the firm remains unchanged.

Mr C. D. NORTH, F.C.A., practising as MESSRS C. D. NORTH & Co, Chartered Accountants, of 1 Brunswick Street, Batley, Yorkshire, announces that he has taken into partnership his son, Mr DAVID JAMES NORTH, A.C.A.

MESSRS SMALLFIELD, FITZHUGH, TILLET & Co, Chartered Accountants, of 24 Portland Place, London, W1, announce that Mr W. E. FITZHUGH, B.COM., F.C.A., who has been in ill health for some years, and Mr F. R. TILLET, M.A., F.C.A., retired from the partnership on April 30th, 1960. Mr R. M. FIELD, F.C.A., Mr R. J. CODY, A.C.A., and Mr T. J. L. MILNER, A.C.A., who have been senior members of the staff for a number of years, have been admitted into the partnership as from May 1st, 1960. Mr F. R. TILLET will continue to be available for consultation by appointment. The name of the firm remains unchanged.

MESSRS BAILEY, PAGE & Co, Chartered Accountants, of A4 Queen Insurance Buildings, 10 Dale Street, Liverpool, 2, announce that as from May 1st, 1960, Mr KEITH ASHTON SMITH, A.C.A., has been admitted to partnership. Mr SMITH served his articles with the firm and has remained with it since qualifying. The firm name remains unchanged.

MESSRS PERCY STERN & Co, Chartered Accountants, announce that they have removed their office from Quebec Street, Leeds, 1, to 23 St Paul's Street, Leeds, 1. Telephone: Leeds 36767-8.

MESSRS JAMES WATSON & SON Chartered Accountants, Carlisle, announce that as from May 1st, 1960, they have become associated with Messrs ARMSTRONG, ROUTLEDGE & Co, Chartered Accountants, of Carlisle, and that as from that date Mr W. W. ROUTLEDGE, F.C.A., and Mr J. M. FENDLEY, A.C.A., have become partners in the firm. The practice will continue under its existing name and from its own premises at Lloyds Bank Chambers, Carlisle.

MESSRS ARMSTRONG, ROUTLEDGE & Co, Chartered Accountants, Carlisle, announce that as from May 1st, 1960, they have become associated with Messrs JAMES WATSON & SON, Chartered Accountants, Carlisle, and that as from that date Messrs JOHNSTON SHARP, F.C.A., K. J. SHARP, M.A., A.C.A., R. D. THOMLINSON, A.C.A., and G. D. SHEPHERD, A.C.A., have become partners in the firm. The practice will continue under its existing name and from its own premises at 57 English Street, Carlisle.

MESSRS E. S. POLKINGHORNE & SON, Chartered Accountants, of 32 Ramsford Road, Chelmsford,

announce with regret the death of Mr CHARLES S. POLKINGHORNE, F.C.A., senior partner of the firm which he founded in 1919.

MESSRS PROCTOR & PROCTOR, Chartered Accountants, of 43 Westgate, Burnley, Manchester and Nelson, announce that as from April 1st, 1960, they have taken into partnership Mr ALWYN CHERRY, F.C.A., Mr FRED BALDWIN, F.C.A., and Mr TOM BANNISTER TAYLOR, F.C.A., all of whom have been with the firm for many years.

MESSRS FUTCHER, HEAD, SMITH & Co, Chartered Accountants, of 54 Old Broad Street, London, EC2, announce that Mr S. CEDRIC SMITH, F.C.A., after over fifty years with the firm, retired from the partnership as from March 31st. The practice will be carried on by the remaining partners under the same style as heretofore. Mr CEDRIC SMITH will maintain an active association with the firm at the above address.

MESSRS BARKER, SMILES & Co, Chartered Accountants, of 6 Grafton Street, London, W1, announce that as from May 1st, 1960, they have incorporated the practice of MESSRS L. BURGESS & Co and have admitted as a partner Mr LESLIE BURGESS, F.C.A. They have also admitted into the partnership Mr WILFRED MARTIN, A.C.A., and Mr THOMAS A. BUTLER, A.C.A., both of whom have been senior members of their staff for many years. The style and address of the firm remain unchanged.

MESSRS GREENSLADE & Co, Chartered Accountants, of 297-302 Dashwood House, Old Broad Street, London, EC2, announce the retirement of Mr W. H. W. GREENSLADE, F.C.A., senior partner and founder of the firm, who will, however, continue to be available in a consultative capacity.

MESSRS RIDLEY, HESLOP & SAINER, Chartered Accountants, of 10 New Court, Lincoln's Inn, London, WC2, announce that as from May 1st, 1960, they have taken into partnership Mr CHRISTOPHER EDWARD WOOD, F.C.A., and Mr ALAN ABRAHAMS, A.C.A., who have been members of their staff for some years.

MESSRS BLAIR, SANDERS & Co, Chartered Accountants, announce that as from April 30th, 1960, Mr H. G. HAYMAN, F.C.A., retired from the partnership which will be continued from 2 South Square, Gray's Inn, London, WC1, by Mr F. PHILLIPS, F.C.A., and Mr H. L. BLOOM, B.COM.(LOND.), F.C.A. Mr H. G. HAYMAN will practise from 38 Chesterfield Road, Chiswick, London, W4.

Appointments

Mr W. Brining, F.C.A., has been elected president of The Aluminium Development Association for the year 1960-61.

Mr J. M. A. Smith, F.C.A., has been appointed a part-time member of the National Coal Board.

Mr W. A. Hawkins, F.C.A., has been elected senior vice-president of the Newspaper Society.

Mr E. A. Oatway, F.C.A., has been appointed a director of Paterson Engineering Co Ltd, while continuing as secretary of the company.

Mr S. John Pears, F.C.A., senior partner in the firm of Cooper Brothers & Co, Chartered Accountants, and Vice-President of The Institute of Chartered Accountants in England and Wales, has been appointed by Lord Hailsham, Minister for Science, as a part-time member of the United Kingdom Atomic Energy Authority.

Mr J. C. Welch, F.C.A., has been appointed chairman of Lancashire Handbag Co Ltd.

Mr C. L. Nelson, F.C.A., has been appointed managing director of Ultramar Co Ltd.

Mr A. Howe Marshall, M.A., F.C.A., has been appointed a director of Ceylon Timber and Rubber Syndicate.

Mr L. L. Moore, F.C.A., has been appointed a director and deputy chairman of Goulston Discount Co Ltd.

Mr N. G. Randall, F.C.A., has been appointed a director of K. V. Properties Ltd.

Col. D. H. Cameron of Lochiel, T.D., D.L., F.C.A., has been appointed a director of Scottish Industries Unit Trust (Management) Ltd.

Mr D. A. Bussell, M.B.E., F.C.A., has been appointed an additional director of Capital & Counties Property Co Ltd.

Mr T. I. F. Tod, A.C.A., has been elected a director of Maritime Insurance Co Ltd.

Mr H. E. R. Shand, C.A., has been appointed director in charge of finance of Mullard Ltd.

Mr C. J. Haughey, T.D., B.COMM., B.L., F.C.A., who has been a member of the Dail for Dublin North-east since 1957, has been appointed Parliamentary Secretary to the Minister for Justice, Republic of Ireland.

OBITUARY

Nehemiah Ernest Kelsall, F.C.A.

We have learned with regret of the death on May 7th at the age of 46, of Mr Nehemiah Ernest Kelsall, F.C.A., who was in practice on his own account in Camborne, Cornwall.

A Cheshire man, Mr Kelsall served his articles in Lancashire, and then moved to Cornwall. He was admitted an Associate of the Institute in 1939, and then commenced to practise. He was elected to fellowship of the Institute in 1946.

Mr Kelsall was well known in business circles in Cornwall.

INSTITUTE RESIGNATIONS

The partners in Messrs Malpas, Simmons & Co, Chartered Accountants, of Bournemouth, with branch offices in Dorchester, London and Salisbury, are resigning from membership of The Institute of Chartered Accountants in England and Wales on religious grounds.

They are members of the Exclusive Fellowship of

Plymouth Brethren, who follow closely the injunction of St Paul in Chapter VI of the Second Epistle of Corinthians 'be ye not unequally yoked with unbelievers'. This, they believe, is a principle which affects membership of trades unions or, in fact, any organization in which a professing Christian may be subject to a majority vote of the other members. The partners have come to feel that membership of the Institute is incompatible with these principles.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A special meeting of the London and District Society of Chartered Accountants, to make certain minor changes in the Rules, will be held following the annual general meeting of the Society which will take place on May 31st at 6 p.m. in the Oak Hall of the Institute, Moorgate Place, London, EC2.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will take place next Wednesday at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 p.m. for 6.30 p.m. The topic for discussion will be: 'The Finance Bill', introduced by Mr B. C. Dixie, F.C.A.

WOMEN CHARTERED ACCOUNTANTS' DINING SOCIETY

The annual general meeting of the Women Chartered Accountants' Dining Society will be held at Crosby Hall, Cheyne Walk, Chelsea, on May 28th, following the dinner there at 7 p.m.

UNIVERSITY ACCOUNTING STUDENTS

Annual Conference

The fourth annual conference of the Association of University Accounting Students was held recently at the London School of Economics and was attended by representatives from seven universities.

Addresses were given as follows:

Mr W. Rees-Mogg, City Editor, *Sunday Times*, on 'Investment'.

Mr R. J. Carter, B.COM., F.C.A., Secretary, London Chartered Accountant Students' Society, on 'Problems and prospects of graduates entering the profession'.

Mr H. C. Edey, B.COM., F.C.A., Reader in Accounting at the London School of Economics, on 'The role of the management accountant in business'.

Mr B. Sanderson, member of The Stock Exchange, London, on 'Share valuation'.

At the annual general meeting of the Association held after the conference, Mr H. C. Edey, B.COM., F.C.A., was elected President of the Association in succession to Professor W. T. Baxter, B.COM., C.A. Other officers elected for the year 1960-61 are:

JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Chairman: Mr J. Price (Manchester).
Vice-Chairman: Mr C. Snape (Liverpool).
Hon. Secretary: Mr R. A. Breton: University of Manchester Union, Oxford Road, Manchester, 13.
Hon. Asst. Secretary: Mr P. G. Nocklin (Bristol).
Hon. Treasurer: Mr M. Jones (Liverpool).

COVENTRY CHARTERED ACCOUNTANT STUDENTS

The tenth annual dinner of the Coventry Area Branch of The Birmingham Chartered Accountant Students' Society was held on April 28th, at *The Saxon Mill*, Guy's Cliff, Warwick, and attracted a record attendance of over sixty students and guests.

Mr W. Wilson, a Coventry solicitor, proposed the toast of 'The Institute of Chartered Accountants in England and Wales' and the response was made by Mr W. L. Barrows, LL.D. F.C.A., Immediate Past President of the Institute. In his speech, Mr Barrows told the students of the work being done by the Parker Committee of the Institute, which is looking into the whole problem of the training and remuneration of articled clerks.

The toast to the Coventry Branch was proposed by Mr J. R. Mead, J.P., F.C.A., a local chartered accountant, and was responded to by Mr E. Hopkins, Chairman of the Coventry Students' Society. Mr Hopkins said that the Branch had enjoyed a very successful year: the varied lecture programme had been well attended and there had been good support for the social and sporting activities. He suggested that there should be more conformity in the conditions of articled clerks, as at present they varied considerably from office to office.

The Immediate Past President of the Branch, Mr D. H. Smale, A.C.A., proposed the toast of 'Our Guests' and this was responded to by Sir Stanley J. Hartley.



At the Coventry Students' tenth annual dinner. Left to right: Messrs W. Wilson, J. R. Mead, J.P., F.C.A., Sir Stanley J. Hartley, Messrs D. H. Smale, A.C.A., W. L. Barrows, LL.D., F.C.A., and E. W. Evans, F.C.A.

THE MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The 1959 report of the committee of The Manchester Chartered Accountants' Students' Society, presented at the annual general meeting on May 5th, records that membership at the year-end numbered 1,380.

A comprehensive series of lecture meetings was held during the year under review and visits were made to industrial organizations and to the Manchester Assize Courts and the Manchester Stock Exchange. The joint tuition committee continued to arrange Saturday morning lectures for students in Manchester and Preston and two successful residential courses arranged jointly by the tuition committees of the Manchester and Liverpool Societies were held at Burton Manor. The week-end residential course planned in April at Hulme Hall had unfortunately to be cancelled owing to the low number of applications.

In November the Society was honoured by a visit from the President of the Institute during which almost one hundred students were present to listen to a short informal talk. The annual dinner took place at *The Midland Hotel* in March and was attended by 193 members and guests.

LOCAL GOVERNMENT SERVICES

Four statistical returns giving details of local government services in respect of education, health, welfare and children for 1958-59 have recently been issued by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers.¹

Education Statistics

The eighth annual return of education statistics, contains information relating to all local education authorities in England and Wales.

In the year under review the total expenditure chargeable to rates and grants for the year 1958 to March 31st, 1959, was nearly £592 million compared with nearly £547 million in the previous year. This was equal to £13,120 per 1,000 population, compared with £12,180 in 1957-58. The average number of pupils on school registers totalled 6,917,020. The number of school meals supplied during the year rose from 596 million to 620 million and the cost of school meals was composed of 9.61d for food and 13.69d for overheads. The respective figures in the preceding year were 9.52d and 13.39d.

Welfare Services

The return of welfare services gives details of the income and expenditure of authorities per 1,000 population on each branch of the services provided

¹Education Statistics 1958-59. Price 4s 6d post free. Local Health Services Statistics 1958-59, Welfare Services Statistics 1958-59, Children Services Statistics 1958-59. Each 3s 6d post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

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under the National Assistance Act, and costs per resident week in different sizes of home, analysed under the main headings of cost. The total net expenditure falling on the rates in the year under review was £20½ million compared with £19½ million in 1957-58. The total cost was equivalent to a rate of 8·23d in the £, compared with 8·02d in 1957-58. The number of persons accommodated at December 31st, 1958, rose from 76,359 to 79,624.

Health Services

Expenditure per 1,000 population for each part of the local health services, i.e. day nurseries, ambulance service, etc., with unit costs for some of the more important sections is given in this return. Totals and averages for each type of authority and for all authorities are given. The summary tables show that total net expenditure charged to rates increased from £26,735,408 in 1957-58 to £28,485,940 in 1958-59. The statistics reflect the increased activity in 'Vaccination and Immunization' in that the cost per 1,000 population has risen from £15 1s to £27 7s.

Children Services

The tenth annual return of children services contains information about expenditure and the costs of maintenance in residential homes and nurseries provided by all local authorities in England and Wales and shows for each county borough and county the net expenditure and grants per 1,000 population.

The number of children in care was 59,731 compared with 57,694 in 1957-58. Net rate-borne expenditure amounted to £10,235,263 compared with £9,722,538 in the preceding year and the net rate-borne expenditure as a rate in the £ was 4·14d compared with 4·02d in 1957-58.

BY ROAD TO TANGIER

Mr Robert Bell, an assistant secretary of The Association of Certified and Corporate Accountants, has taken his car along yet another adventurous road, and his account of the journey to Tangier and Marrakesh, which he made last year, is now published.¹

This book, like the earlier Turkish and Russian 'Roads', is full of interest for the non-traveller, while for the traveller it provides also much practical assistance in such matters as costs, hotels, regulations, and food and drink. The author shows once again that an unusual holiday off the beaten track is not only for the rich.

The book is liberally illustrated with excellent photographs and sketch maps, and there is a fold-in map of Tangier.

¹ *By Road to Tangier and Marrakesh*. Alvin Redman Ltd, London, 18s net.

BEST BUILDING SOCIETY ACCOUNTS

The 'Sir Harold Bellman' Challenge Cup

The third award of the 'Sir Harold Bellman' Challenge Cup for the best produced published accounts of a member of The Building Societies Association has been made to The Principality Building Society. The Grainger & Percy Building Society was awarded second place and the accounts of the Church of England Building Society were specially commended.

Twenty-seven societies submitted their accounts for the competition - which was for accounts published during the year ended December 31st, 1959. The accounts were assessed by an adjudicating panel consisting of:

The Duke of Devonshire, M.C., D.L., *Chairman* (President of The Building Societies Association); Mr R. G. Connell (a member of the Council of The British Federation of Master Printers); Mr J. H. Mann, M.B.E., M.A., F.C.A. (a member of the Council of The Institute of Chartered Accountants in England and Wales); Mr Gordon Newton (Editor of *The Financial Times*); and Mr H. W. Norris (The Institute of Bankers).

The cup was presented last Thursday at the Association's annual conference at Bournemouth.

SCOTTISH MANAGEMENT CONFERENCE

The 1960 Scottish Management Conference organized by the British Institute of Management was held at Gleneagles from April 29th-30th on the general theme of 'Management problems in an expanding economy'.

Sessions and sectional meetings included: 'New industrial communities in Scotland', by Professor R. Browning, M.A., LL.B., C.A., Professor of Accountancy, University of Glasgow; 'Problems of market development', by Mr J. Martin Ritchie, director, The Bowater Paper Corporation Ltd; and 'Financing an expanding economy', by Mr W. R. Ballantyne, J.P., general manager, The Royal Bank of Scotland.

INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The next meeting of the Manchester Chapter will be held on Tuesday, May 24th, at 7 p.m. in the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, preceded by the annual general meeting at 6.30 p.m. The speaker will be Mr A. D. Compston, F.C.A., chief internal auditor of the North Western Electricity Board, whose subject will be 'Internal auditing in practice - the scope of my job'.

Information regarding the activities of the Chapter may be obtained from Mr R. S. Rossiter, divisional internal auditor, Shell-Mex & B.P. Ltd, Shell-BP House, 7 Oxford Road, Manchester, 1.

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CLAUSE 18 of the Finance Bill, which was debated in the House of Commons on Tuesday evening, rivals clause 26 for the position of the most controversial clause in the Bill. The rubric to it is 'restriction of relief for losses' and, although the clause does not say so, it is aimed principally at the so-called 'clean boot' farmer who can be as extravagant as he wishes in his farm expenditure, in the knowledge that perhaps 17s 9d for every £ of it will be borne by the Exchequer in reduced tax, the loss being set off against the farmer's other income. It is well to bear in mind, however, that the loss relief is not a subsidy, it is a remission of the tax which the farmer would otherwise suffer; in other words, it is still his own money which he spends. Given this remarkably high peacetime rate of tax, extravagance in business expenditure is inevitable, and it is by no means confined to 'clean boot' farmers. The investment allowances, of course, encourage it; they must mean a bonanza to the purveyors of such things as tape recorders, electric typewriters and other things with possibilities as toys. The only restriction is that the Inspector must be satisfied that the expenditure is wholly and exclusively for business purposes. The Government resisted a proposed amendment designed to exclude from capital allowances, assets purchased before April 5th, 1960, as well as assets purchased after that date.

Only when a trade is actually incurring a loss can clause 18 have any application. It imposes a general prohibition on the set-off of such loss against other income, under Section 341 of the Income Tax Act, 1952, unless it is shown that the trade was being carried on for the year of claim 'on a commercial basis and with a view to the realization of profits in the trade'. Clause 18 (4) extends this prohibition to professions and vocations and directs that references to a commercial basis 'shall be construed accordingly', whatever that means.

Clause 18 (2) contains a corresponding prohibition in relation to claims for relief for subvention payments under Section 20 of the Finance Act, 1953. Under that section, relief is confined to the amount of the recipient company's 'deficit' for a particular accounting period, as adjusted by reference to income and charges in the assessment year in which the accounting period ends. For any accounting period ended after April 5th, 1960, losses are to be disregarded unless it is shown that the trade was being carried on for that accounting period on a commercial basis and with a view to the realization of profits by the company carrying on the trade - or by that company and its associated companies together. The same restriction of losses applies to the computation of the surplus of the paying company.

Clause 18 (3) gives the suspect taxpayer an opportunity to redeem himself. It directs that if a change takes place during the year of assessment (or the accounting period in a subvention case) in the manner in which a trade is being carried on, the trade is to be treated as having been carried on throughout the year (or the accounting period) in the way in which it was being carried on at the end. This provision has its dangers; the keen but unsuccessful farmer who gives way to a bout of wild extravagance, or a day of laziness, on April 5th, may thereby squander his title to relief for the losses of the whole year. On the other hand, the converse can apply, at any rate in theory, although it might be difficult to persuade the Commissioners that the taxpayer turned over a new leaf on the last day, particularly if he has not kept it up since.

Much of the sting is taken out of the clause by sub-clause (5) which provides that the carrying on of the trade at any time 'so as to afford a reasonable expectation of profit' is to be conclusive evidence that the trade was then being carried on with a view to the realization of profits. It is important to notice that this is not a test; a trade may still qualify for relief even though at the end of the year it is not being carried on in that manner. Furthermore, no time limit is set to the expectation of profit. There is a parallel here with such cases as *Vallambrosa Rubber Co Ltd v. Farmer* (5 T.C. 529) where six-sevenths of a rubber estate owned by the company had not begun to produce rubber, the trees requiring several years to mature. The Inland Revenue's attempt to confine the deductible expenses to that proportion applicable to the trees already producing was unsuccessful. In forestry, of course, an even longer view has to be taken. Many hobby farmers devote a good deal of time, as well as money, to building up a pedigree herd which may take many years to become profitable, particularly if the farmer is unlucky. There is thus ample authority for showing that losses from operations which cannot be profitable for many years may yet be allowable even now.

By their unexpected success in *Sharkey v. Wernher* (34 A.T.C. 263) the Inland Revenue have to some extent been hoist by their own petard. In that case the taxpayer sought to adjust for 'own consumption' by disallowing the proportion of the total expenses applicable to that

consumption. The Inland Revenue persuaded the House of Lords that the market value be credited. It follows that if a wealthy landowner runs a farm purely for the purpose of supplying his own table with choice eatables only the market value can be credited, and not the probably much higher cost. If *Sharkey v. Wernher* had gone the other way, the Revenue would have been better off.

The incautious drafting of Section 31 of the Finance Act, 1948, providing that 'all farming in the United Kingdom shall be treated as the carrying on of a trade', has prevented the Inland Revenue from arguing that hobby farming was not a trade at all.

There will still be no ban on carrying forward losses for set-off against future profits, so the way will be wide open to anyone refused Section 341 relief to arrange at any time for some new life to be infused into the unprofitable trade; provided he does nothing to give the Inland Revenue ground for arguing that the old trade has been replaced by another.

Clause 18 (6) brings to an end the oldest loss relief in the Income Tax Acts, Section 142 of the Income Tax Act, 1952. Indeed it is not, properly speaking, a relief at all, it is part of the assessing rules. From the beginnings of income tax, the Legislature conceded that if the taxpayer had two different trades it would be absurd to tax him on the profits of one while ignoring the losses of the other; hence the provision for set-off. When the somewhat sophisticated bases of assessment were introduced in the twenties of this century, under which, for a new trade, the results of the same accounting period could be reflected in the assessments of three different years, the draftsman seems to have overlooked the fact that the provision for a kind of negative assessment for a losing trade might trample the effective loss relief.

The original draft clause 18 did not deal with the case where there was a change during the tax year involving the application of the cessation and commencement provisions to the trade in question. On Tuesday, the Chancellor introduced an amendment to remedy the defect. This amendment also provides that a person engaged in the trade before and after a partnership change will be treated for the purpose of the new clause as engaged in one continuing trade, notwithstanding that 'cessation' is applied for the purpose of the basis of assessment.

Company Liquidation Problem

THE LIABILITY OF B CONTRIBUTORIES

by W. H. D. WINDER, M.A., LL.M.

IN the winding-up of an insolvent company the question of the liability of the B contributories rarely comes before the Courts, as was pointed out by the Court of Appeal in *In re Apex Film Distributors Ltd* ([1950] 2 W.L.R. 350), a case in which the question did arise in an acute form. The appeal against the decision of Mr Justice Wynn-Parry ([1949] 3 W.L.R. 8) was allowed. There are differences of judicial opinion in the nineteenth century when the nature and extent of the liability of former members of a company were more frequently discussed than it is nowadays. These older decisions still embody much of the relevant law. Now that shares which are not fully paid up are somewhat of a rarity, at least in public companies, it may not seem of much general practical importance to understand the relative liabilities of A and B contributories. Yet these problems of company law still exist and may at any time arise to puzzle those who are concerned in a winding-up. It may even be surmised that these problems occur more frequently in the case of private companies than the comparative dearth of reported decisions suggests.

In the event of a company being wound up, every present and past member shall be liable to contribute to the assets of the company. This general principle enshrined in Section 212 of the Companies Act, 1948, at least is well known. A past member shall not be liable to contribute if he has ceased to be a member for one year or upwards before the commencement of the winding-up and no contribution shall be required from any member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member. Other rules in Section 212 (1) relating to past members, or B contributories, are:

'(b) A past member shall not be liable to contribute in respect of any debt or liability of the company contracted after he ceased to be a member;

'(c) A past member shall not be liable to contribute unless it appears to the Court that the existing members are unable to satisfy the contributions required to be made by them in pursuance of this Act.'

Making Calls on Contributories

In this and other provisions a reference to the Court covers also a liquidator in a compulsory winding-up. He represents the Court and, accordingly, if it appears to him that the existing members are unable to satisfy their required contributions, he may set in train the procedure to bring in the past members. The Companies (Winding-up) Rules, 1949, have much to say on the method of making calls. Rule 88 provides:

'When the liquidator is authorized by resolution . . . to make a call on the contributories he shall file with the Registrar a document making the call in the Form 53 in the appendix with such variations as circumstances may require.'

The exact nature of the liability of a contributory in a winding-up has to be considered when comparing the position of the A list with the B list of contributories. Section 214 states:

'The liability of a contributory shall create a debt (in England of the nature of a specialty) accruing due from him at the time when his liability commenced, but payable at the time when calls are made for enforcing the liability.'

In *In re Apex Film Distributors Ltd*, the Master of the Rolls gratefully adopted what Mr Justice Eve had said of the liability of B contributories in *In re City of London Insurance Co Ltd* ([1932] 1 Ch. 226, 230):

'Their liability to contribute is created by statute and is restricted to so much of the amount left unpaid on their shares by their associated A contributories as does not exceed the balance of the debts and liabilities of the company, contracted before they respectively ceased to be members, which remains unpaid after the assets of the company and the contributions of the A contributories have been applied *pari passu* towards the payment of all the debts of the company whenever contracted.'

The particular question arising out of this general principle which was discussed in the recent case was this: Is there some point of time (and if so, what is it?) when the liability of the B contributories must be taken (subject at most to adjustment to allow for errors in estimation

and the like) as fixed so as not thereafter to be capable of reduction as the result of total or partial extinguishment of debts contracted before they (that is, the B contributories) ceased to be members?

Ineffective Calls

The Court came to consider this question in the following circumstances. In the compulsory winding-up of a company the liquidator made a call on the present member of the company, the A contributor, and at the same time notified those members who had transferred their shares within the year preceding the winding-up (the B contributories) that if the call was partially or wholly unproductive a call would be made on them. Nothing was received from the A contributor and the liquidator, being then satisfied that he was unable to contribute anything, wrote to the B contributories, explaining what he had previously said to them and this time enclosing a formal demand. The call in respect of the A contributor was valid and in accordance with the rules, but it was held not to be an effective call for any purpose on the B contributories. There were two reasons why it was ineffective as against them: (1) At that date they were not under any liability, since the conditions under Section 212 for such liability, and particularly the condition in paragraph (c), quoted above, were not then satisfied. At that time it did not appear that the existing members (or rather member) were unable to satisfy the required contributions. (2) It was quite clear that the liquidator did not himself so regard it, as appeared from the terms of his notification to those on the B list.

Did, then, his later letter, coupled with the demand accompanying it, serve to fix them with liability? It did not, for this reason. After their receipt of the first notification that a call would be made on the member on the A list and might be made on them, the B contributories purchased certain debts of the company which were owing before they had transferred their shares. Those debts, amounting to £13,853 18s 11d, were transferred into the name of F. F. Ltd and that company by a deed released the company which was in liquidation, the liquidator and the contributories, from all liability for those debts. The extinguishment of the debts in this way operated to reduce the liability of the B contributories.

The trial judge had held that there had been a proper call on them by virtue of the liquidator's second letter and demand, but it was conceded on the appeal that this did not amount to an

effective call. The Court of Appeal agreed that it did not, since Form 53 of the appendix to the Companies (Winding-up) Rules, 1949, had not been filed as required by Rule 88.

Extinguishment of Debts Before Call

The liability of B contributories is not fixed at the date of the winding-up, but it may be reduced as a result of dealings with the 'old debts' up to, at least, the date of the call made on the B contributories for their contribution. This has been the accepted position since *In re Blakely Ordnance Co*, *Brett's case (No. 2)* ((1873) L.R. 8 Ch. App. 800). It is, however, uncertain whether the liability is crystallized at the date of such call and cannot be affected by anything done thereafter. Sections 212 and 214 of the present Companies Act have remained in their present form since the Companies Act, 1862, the corresponding sections being Sections 38 and 75 respectively. The old decisions, therefore, have a direct bearing on the interpretation of the Act of 1948.

In *Brett's case (No. 2)* Lord Selborne, L.C., posed the question whether calls can be made upon past members in respect of any debt or liability of the company contracted before they ceased to be members, which has been released or extinguished between the date of the winding-up order and the time of making such calls, and which, therefore, cannot participate in any dividend which may be made out of the proceeds of such calls. Observations on this question were made by the House of Lords in *Webb v. Whiffin* (L.R. 5 H.L. 711), although the question was not directly relevant in that case. Certain passages in the speeches of Lord Chelmsford and Lord Cairns do favour the view that the measure of the liability of a past member ought to be determined solely by the amount of such debts of the company (contracted before he ceased to be a member) as they stood at the commencement of the winding-up, without reference to any subsequent event by which that amount may have been reduced or even wholly extinguished. But this view was given its quietus by Lord Selborne, L.C., in *Brett's case (No. 2)*.

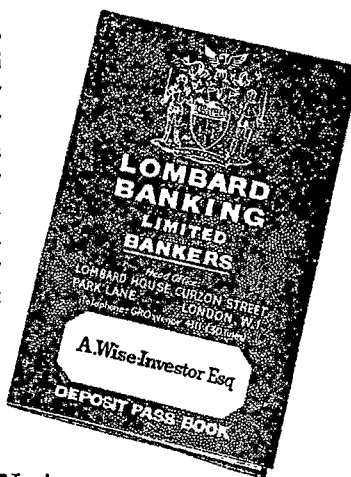
To take the date of the winding-up as the date when the position is crystallized, he thought, would be to swell the amount of the indebtedness by the fictitious process of treating as then due and unpaid any part of the original amount of the debts and liabilities which might have been previously satisfied by dividends out of the property in hand, or by the contributions of present members, or by any part thereof which



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might have been previously released or extinguished. To do this for the sole purpose of increasing the dividends of those other creditors whose debts were contracted after the past members had left the company would, it seemed to Lord Selborne, be a violation both of the letter and the spirit of the legislation. The time when the call is made must necessarily be looked to, and the payments of present members after the commencement of the winding-up must necessarily be taken into account for the purpose of giving effect (in relation to past members) of the rule that 'no contribution shall be required from any member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member'.

'Why, then,' asked Lord Selborne, 'are not the payments made after the commencement of the winding-up equally to be regarded, when the question has reference to the amount of the debts and liabilities of the company, in respect of which a past member is required to contribute?'

In his judgment he proceeded on the basis that the payment of or the release of debt precedes the call. As Wynn-Parry, J., said in *In re Apex Film Distributors*, *Brett's case (No. 2)* and *Brett's case (No. 1)*, ((1871) L.R. 6 Ch. App. 800) are authority only for the proposition that a release of a debt in respect of which a B contributory is liable to be placed on the B list will be effective if it is brought about before a call is made on that B contributory.

Extinguishment of Debts After Call

It can be said that there is no logic or justice in drawing the line at the date of the call, or indeed, at any other point of time short of final distribution. The question whether the line should be drawn after the date of call led to a difference of opinion between Wynn-Parry, J., and the Court of Appeal.

Once again reference must be made to the old authorities. In between the hearings of the first *Brett* case, the second *Brett* case, *In re Greening & Co*, *Marsh's case* ((1871) L.R. 13 Eq. 388) was heard. The headnote is as follows:

'Past members of a company settled upon the B list of contributories having bought up the debts to which they were liable, held liable to pay the costs of settling the B list, unless the liquidator had money in his hands sufficient to pay them.'

The statement of facts shows that the debts in question were bought up after the call had been made on the B contributories concerned. In the report of the arguments this appears:

'As soon as the debts existing when the B contributories retired have been satisfied, and it is immaterial whether payment has been made before or after the call - *Brett's case*, overruling the judgment of Giffard, L.J., in *In re Accidental and Marine Insurance Corporation* (L.R. 5 Ch.App. 428) - their liability ceases.'

Although the question actually before the Court was one relating to costs, it cannot be said that the point was not mentioned that the release could be effective even if made after call. For the purpose of coming to a decision as to the incidence of costs, the judge proceeded on the basis that a buying up of an old debt and a release in respect thereof was effective even if made after call.

The substantive question was not directly raised but it was directly before Wynn-Parry, J., on the view which he took of the facts in *In re Apex Film Distributors Ltd.* He held that there was no room for extending the rule laid down in the *Brett* cases. If it were to be extended, he said that he could foresee 'grave administrative difficulties arising in liquidations where B contributories are involved'.

He reasoned on the following lines. Section 212 of the Act provides how the liability of a contributory is to be measured. Thus, the first duty of the liquidator in the case of B contributories is to quantify their liability by applying the relevant provisions of Section 212. No doubt an element of estimation will enter into his calculation, but that does not affect the matter, because the necessary adjustment can be made later: see *In re City of London Insurance Co Ltd.* When the liquidator has quantified the liability of the B contributories he makes a call on them, assuming of course that default is made in whole or in part by the A contributories.

But by Section 214 the liability of the contributory, which came into existence when he first became a member, creates a debt which in England is in the nature of a specialty. That debt becomes payable when a call is made. That result is brought about by the express terms of Section 214.

'It follows, to my mind,' said Wynn-Parry, J., 'that once that debt becomes payable the only way in which it can be extinguished is by payment, and that once the debt becomes payable it is not open to a B contributory to reduce his liability by buying up any of the debts owed by the company before he transferred his shares, because the result of so doing would be to reduce the amount of the debt which the statute clearly says that he owes.'

Date for Fixing Liability: Another View

It was not necessary for the Court of Appeal to decide on the correctness of this opinion as that Court held that there had not in fact been any call, and so they preferred to leave the point open. At the same time the judgment of the Master of the Rolls puts forward some arguments which run counter to the opinion of the judge of first instance.

Lord Evershed, M.R., agreed that if the date of the effective call is not the determining date, then it is clear that it is a difficult question to say what is the correct date. For example, he said, what is the position if the 'old debt' is wholly or partially extinguished after a B contributory has paid the whole or part of a call? What is the position if there are successive calls and some change has occurred in the 'old debts' between the two? Is the result the same or different for B contributories (a) when an 'old debt' is at some stage after a call extinguished, and (b) when the liability of an A contributory, properly regarded at the time of the call as worthless, is then wholly or partially but unexpectedly discharged?

In spite of these difficulties support can be found for the view that the actual date of call is not the conclusive date. There is the passage

from the judgment of Eve, J., in *In re City of London Insurance Co Ltd*, quoted towards the beginning of this article. There is also what the Master of the Rolls calls 'the uniform views expressed in every edition of *Buckley on the Companies Acts*, and in the relevant volume of *Halsbury's Laws of England*', which were not referred to by Wynn-Parry, J., in his judgment. In *Halsbury* (3rd edition, Vol. 6, page 632) it is stated:

'If, before a past member *has contributed* [italics inserted] to the assets, the debts in respect of which he is liable are in any way paid off or released, so that there remains no debt or liability contracted before he ceased to be a member, his liability to contribute is extinguished.'

The two conflicting views on the date for fixing liability were left unresolved by Lord Evershed who observed that

'cases concerning the liability of B contributories are only likely to arise very rarely, and may arise in very special circumstances which it is impossible to forecast'.

These cases may arise rarely in the Courts, but liquidators and shareholders, particularly former shareholders, are more frequently faced with these problems than are judges.

Running the Smaller Office

4—STAFF RECRUITMENT AND TRAINING

by An O. & M. ADVISER

THE methods of analysis described in the previous article provide the means of finding out how many staff may be required, but they do not establish a recruitment and training policy. Such a policy has to be based on the facts of modern office life. The attitudes of a generation or more ago will neither produce the necessary staff nor keep them.

Young people today are less easily attracted to a career in the office than has been the case for the last hundred years. There are other openings for them which to some are more attractive and, let us face it, are more remunerative. The

modern office has therefore to base its recruitment policy on the following points: correct age distribution; adequate training; variety of work; openings for promotion; competitive remuneration.

The twin bugbears of office managers these days are the high 'wastage' rate among women workers due to full employment and the marriage rate on the one hand, and the high 'casualty' rate among men due to full employment and slow promotion on the other. The basic goal for any office staff structure, except where there are only one or two clerks (and even here the point should be borne in mind) is to get the right age structure for succession. Many offices at the present time suffer from having all their clerks (it is less obvious among women but it applies there, too, to varying degrees) in the middle-age group and at the junior end. The thirties and the forties are inadequately represented, and the indispensable seniors of tomorrow are not there to take over. Many of them went a decade ago because they would wait no longer. A certain amount can be done by *ad hoc* recruitment and by introducing machine processes but this is not always the

solution and as more and more offices are forced to try it, the higher will go the cost, in terms of salaries paid, of taking this way out.

A start has to be made with the juniors. They have to be trained for more varied work and trained systematically. The economics of the office boy making the tea and sitting for hours at the elbow of another clerk or running round between departments carrying odd bits of paper, relieved by occasional and dilatory visits to the Post Office, are gone; but the attitude of mind towards this system of office 'training' lingers.

The Office Manual

Juniors should be taught by means of an office manual – a document which all offices should compile and keep up to date. The office manual should be a means of laying down a system, a source of checking office procedures and a means of instruction. The manual should explain briefly and clearly the jobs done by each department and section, how these fit together to give a clear picture of what the office as a whole does and who is in charge of each department and section.

Many youngsters lose any initial enthusiasm they may have for their job by being utterly incapable of seeing how the bits of paper with which they have to deal, ultimately add up to anything worth while. This is where much of the trouble begins. A boy's imagination can grasp that a partially shaped piece of metal can be part of a jet aircraft, but what romantic seas wash the feet of a youngster interminably extending figures on an invoice?

The office manual should lay down how each job is done, where mail and other documents go, and the limits of discretion of each section and department. The outline of the filing system can also usefully be included. A copy of the manual, which should be made the basis of purposeful and systematic training, should go to each new recruit on joining.

As part of the training plan and also as an integral part of the office routine, arrangements should be made for those who show promise, gradually to move into other sections and departments, in order to widen horizons and to give variety of work. This will not only help to foster the interest of the young employee but also assist management in spotting ability. There are, of course, in all organizations two types who will not respond to this kind of treatment: there are those who like to find a hole and stay in it. They will not get very far but they will probably be reliable

in their limited way. There are also those who will never learn, and systematic training is likely to reveal these more quickly than office gossip and interruptions to the flow of work.

The methods outlined, of course, bring no guarantee that the complete solution to staff problems lies with them. They do offer the basis for a systematic approach, however, towards tackling the next two problems – promotion opportunities and salary scales.

Most small offices have a problem which is rather less obtrusive in the bigger ones: there is no particular reason why the flow of work should fit neatly into promotion patterns for the staff. It has to be accepted that some of the brighter ones who may have passed their trade or even professional examinations will be lost. They will not wait, and no moves to modify the system to some degree to accommodate them will be sufficient to keep them. Analysis of office problems usually shows, however, that few departments are in trouble because they could not keep enough bright youngsters. In most cases the trouble is that insufficient interest can be generated to keep a reasonable proportion of those in the average-to-good category. It is worth analysing the work of the office, and drawing up a schedule to show how many clerks are wanted at different age groups for promotion to junior management, how many are required for routine work, and how many the office structure can afford to have moving in and out according to the opportunities of alternative employment in the district. There is much to be said for the old principle of war that if you cannot defend on a wide front, then contain the attack at chosen points. In other words, admit that you will have to contend with a share of the floating clerical population and plan them into your system – and out again – accordingly.

Working Conditions

Competitive remuneration, that is to say, offering conditions of employment competitive with other offices in the locality, covers both working conditions and salary levels. Both are important but working conditions are often more important to women than men. It is vital to study this problem from two angles. First, there are those factors which come under the heading of 'good working conditions' by any standard. Secondly, there are those which your own staff consider important for good working conditions. These two criteria by no means add up to the same thing in the end.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

UNITED STATES

Next President of American Institute Nominated

MR LOUIS H. PILIE, C.P.A., of New Orleans, has been nominated as President-elect of the American Institute of Certified Public Accountants.

Mr Pilie, a senior partner in the firm of Barton, Pilie, Hughes & Jones, is a member of the Institute's Trial Board and of its committee on public school accounting. Since joining the Institute in 1934, he has served on various committees and is a former Vice-President of the Institute.

In addition to his Institute activities, Mr Pilie is active in Louisiana affairs, and is chairman for Louisiana in the American Thrift Assembly, general chairman of Loyola University's programme of progress, and a member of the board of directors of the New Orleans Opera House Association. He was an organizer and former president of the Catholic Accountants Guild, and is a member and former president of the Society of Louisiana Certified Public Accountants.

The nominating committee of the Institute has also announced the nomination of four Vice-Presidents, they are: Mr Herman W. Bevis, of Greenwich, Connecticut; Mr Clifford V. Heimbucher, of San Francisco; Mr Homer L. Luther, of Houston; and Mr Edwin W. Norberg, of Minneapolis. The nominations will be submitted to the Institute's annual meeting in Philadelphia next September.

Gold Medal Award

THE American Institute of Certified Public Accountants has announced that Mr George D. Bailey, C.P.A., of Detroit, has been awarded the Institute's annual gold medal award for outstanding service to the accounting profession. In making the announcement to the Council of the Institute on May 3rd, the President, Mr J. S. Seidman, C.P.A., of New York, spoke of Mr Bailey's outstanding contributions towards establishing adequate and uniform standards of education and experience for becoming a certified public accountant. He also referred to Mr Bailey's service as a consultant to the Federal Reserve System on a consumer credit study, as an accounting adviser to the Secretariat of the United Nations, and as a member of the citizens' committee to study Detroit's financial problems.

Mr Bailey, a senior partner in the firm of Touche, Ross, Bailey & Smart, of Detroit, is a former President of the Institute. He has served as chairman of its committee on accounting procedure and its com-

mittee to study the education and experience requirements for becoming C.P.As. He was also a member of its executive committee and trial board.

One of the founders of The Economic Club of Detroit, Mr Bailey has lectured at Harvard University and has been an adviser to Wayne University. The gold medal will be presented at the Institute's annual meeting in Philadelphia in September.

Research on Non-profit Organizations

THE accounting research division of the American Institute is to study the accounting problems of non-profit organizations.

Attention will be focused upon the accounting problems which are characteristic of such enterprises and an attempt will be made to determine the extent to which accounting principles applicable to business enterprises operated for a profit are appropriate for non-profit organizations. While the extensive work already done in the areas of educational institutions, hospitals, and governmental units will be studied and reviewed, primary attention will be devoted to other organizations such as churches and religious organizations, charitable institutions, health and welfare organizations, professional associations, foundations, labour unions, veterans' organizations, co-operatives, and the like. The study will not be concerned with book-keeping and accounting systems for these groups, but rather with the major accounting problems and general principles which are peculiar to them.

The project is under the direction of Professor Emerson O. Henke, of Baylor University, Waco, Texas. Anyone interested in submitting comments, suggestions, or other material for the use of the research staff is invited to do so, and advance notice of the intention to participate in this way would be appreciated. Correspondence relating to this study should be addressed to Mr Perry Mason, Acting Director of Accounting Research, American Institute of Certified Public Accountants, 270 Madison Avenue, New York, 16, N.Y.

CANADA

A 'Hoover Commission' to be Set Up

IT is the Canadian Government's intention to set up a Royal Commission on the lines of the Hoover Commission in the United States. The latter was required 'to recommend methods and procedures for reducing expenditure to the lowest amount consistent with the efficient performance of essential service activities and functions'. The *Canadian Tax Journal*

comments that it will be a formidable job to assemble a group of experts in Canada comparable to the Hoover task forces. But it says that United States experience suggests that a far more vexing issue will be the extent to which the Commission will be empowered to review expenditure programmes approved by Parliament, such as family allowances and old age pensions, where 'economy' might require their elimination.

Anonymity in Tax Appeal Cases

THE chairman of the Tax Appeal Board has announced that as from February 1st cases will be reported with all names instead of the numbers used up to that date. In a 1957 case, the President of the Exchequer Court said that the right to an 'in camera' hearing did not entitle the taxpayer to the cloak of anonymity. It had been said in several cases that a full and adequate discussion was impossible without revealing the appellants' identity and that any shortcomings in the judgments should be attributed to this handicap.

The *Canadian Tax Journal* comments that the value of written judgments lies in the building up of a body of jurisprudence, and without a full discussion of the facts and the reasons for judgment much of this value is lost.

AUSTRALIA

Inadequate Balance Sheets

SPEAKING at a luncheon of the Institute of Secretaries in Sydney last week, Mr A. H. Urquhart, Chairman of the Sydney Stock Exchange, criticized the balance sheets which, he said, were issued by some of Australia's largest and oldest companies. From an analytical point of view, said Mr Urquhart, they told the shareholders nothing. One company, which he did not name, had recently issued a balance sheet which in his opinion failed to recognize that shareholders had a right to adequate information. This company, and others, had undoubted assets, but the high market value of their shares was based on 'sheer guess-work'.

Failure by companies to confide in their shareholders was causing the stock exchange great concern, said Mr Urquhart, and he looked to future company legislation to remedy these matters.

BELGIUM

Stranger than Fiction

THE Belgian Ministry of Economic Affairs not long ago advertised a competitive examination for the position of auditor of accounts. The examination, covering financial and cost accounting and auditing, was open to 'suitably qualified' persons, among them primary school-teachers, architects, building surveyors, engineers - but not to accountants!

The commentator in *Le Traité d'Union Comptable et Fiscal*, wherein this phenomenon was reported,

added that this very Ministry was engaged in studying a plan to merge the two professional bodies of accountants and of auditors into one organization.

TAIWAN (FORMOSA)

Outline of Tax Code

TAXES the world over tend to resemble one another, but it is instructive to observe the administration of a tax code in a country as remote as Nationalist China. A selection of its provisions has been published in *Le Traité d'Union Comptable et Fiscal* (Brussels). A taxpayer may designate a practising accountant to prepare his computation and represent him before the fiscal authority. If an accountant certifies the taxpayer's declaration, his audit report must accompany it. All businesses are required to keep books of account and to have supporting documents on file, only hawkers being exempt. Companies must keep their books on the accrual basis, but non-commercial societies may use the cash basis if they obtain official sanction.

Taxpayers wishing to deduct expenses must keep records of them. Those who have fluctuating incomes, such as authors and composers, are taxed on the average of the last four years. Extraordinary losses can be deducted from income only up to 20 per cent of the latter, any excess being disallowed.

Businesses must declare the names of members or partners annually; salaries paid to shareholders or directors are only deductible if the company's shareholders so stipulate or approve in general meeting, and then only if they are payable irrespective of whether the company makes a profit or a loss.

Representation (entertaining) expenses must be supported by vouchers and are subject to certain limits. If incurred on suppliers, the total may not exceed 0.2 per cent of purchases; if on customers, 1 per cent of carriage outwards.

Stocks may be valued on various bases but once chosen, a method must be adhered to. Average purchase price is used in doubtful cases. Provisions for bad debts may not exceed 5 per cent of accounts receivable, but a debt can be written off when nothing has been recovered for two years on account of either principal or interest. Depreciation is generally calculated on the straight-line method, though other methods are admitted. Rates of depreciation are fixed by the Government and can only be changed by special permission. Reducing balance depreciation may not be applied beyond 10 per cent of the original cost of the asset. Replacement value may be used where a machine has increased in price since purchase. Purchased goodwill can be written off over ten years.

Standard profit percentages are established by the Government in consultation with trade associations. If a business declares more than the standard profit, it is exempt from audit; if less, the declaration must be accompanied by an auditor's report. Those who report cases of tax evasion receive 15 per cent of the tax recovered if not implicated in it.

Weekly Notes

Disciplinary Tribunals

A NUMBER of the professions have their own tribunals, set up by statute, for inquiring into and punishing professional misconduct. Some of them have express statutory power to obtain writs of subpoena to summon witnesses, some have not. It may well be that the latter have in fact power to obtain such writs under the common law, but such power is little known and less used. Last January the Home Secretary and the Secretary of State for Scotland set up a departmental committee under the chairmanship of Viscount Simonds to consider to what extent and subject to what conditions subpoenas (in Scotland citations) should be issuable to secure the attendance of witnesses and the production of documents before disciplinary tribunals. The committee were asked in particular to consider subpoenas to secure the production of evidence obtained by the police in criminal investigations. With commendable celerity the committee have now reported (Cmd. 1033, H.M.S.O. 1s). It recommends that statutory power be given to disciplinary tribunals to issue such writs to the police as well as to others. It will still be open to witnesses so summoned to claim Crown or any other relevant privilege.

Extension of New Housekeeper Allowance

CLAUSE 15 of the Finance Bill was amended in Committee on May 19th. As originally drafted it granted an allowance of £40 to certain categories of taxpayer claiming child allowance who also employed a non-resident housekeeper.¹ The categories have now been extended by the inclusion of the married taxpayer having a wife who throughout the year of claim was totally incapacitated by physical or mental infirmity. The Government rejected a plea that the allowance should also be given where the husband, not the wife, was incapacitated.

Guide to Company Genealogy

OF the interrogative pronouns, 'Who . . . ?' is perhaps the most intriguing because the question which follows deals with personalities; and personalities, to most people, are more interesting than history, geography and science – subjects suggested by 'When . . . ?', 'Where . . . ?' and 'Why . . . ?' By this token, a book with the title *Who Owns Whom* would seem to be doubly assured of success and certainly the 1960 edition,² now available, is an advance on its two predecessors. The two main parts

– 'Subsidiary and associate companies showing parent and associate companies' and 'Parent and associate companies showing subsidiary and associate companies' – are consolidated into one volume, the number of subsidiary companies listed in the first of these has been increased by the net figure of 1,000 to 16,000 and two new features have been added. These are: a list of United Kingdom companies showing subsidiary and associate companies in the European Common Market; and a list of United States parent and associate companies showing United Kingdom subsidiary and associate companies.

To be of real value, books of this kind must be fully up to date. The compilers believe that the information given is accurate as at March 31st, 1960, and there is an addendum showing a selection of changes of ownership of public companies announced between that date and April 30th, 1960. The book is attractively designed, is substantially bound in a Cambridge blue cover and is already assuming the authoritative air of an established work of reference.

Contracting out of State Pensions

THE British Institute of Management recently sent a questionnaire to 500 firms which have participated this week in a conference on the Government pension scheme which is due to come into operation in 1961. The object of the questionnaire was to find out what was the trend among companies in participating in the State scheme and contracting out of it. Out of 500 firms contacted over 300 questionnaires from 276 companies were returned to the B.I.M. The sample of opinion is therefore a good one.

The results of the investigation are largely what was expected with one important exception. In the summary to the report on the study, the B.I.M. says that although there seems to be a slight tendency to contract out higher paid workers on the whole, the decision does not seem to rest on the question of income groups because far more people under all schemes, according to the survey, will be participating in the State scheme. This can only mean, states the report, that larger concerns are deciding to participate in the State scheme. Of the 270 firms running pension schemes for male salaried employees, about 77 per cent said that they were still undecided as to whether they would contract out or not. Corresponding percentages were 79 per cent of firms with schemes for female salaried workers, 75 per cent with schemes for hourly paid male employees and 78 per cent with schemes for hourly paid female workers. This gives an average of 77 per cent as uncommitted one way or the other. Judged entirely from the number of schemes it seems that about equal numbers will be contracting out as intend to participate in the State scheme but in terms of numbers employed, the scales are tipped in favour of participation. With a high proportion of organizations still uncommitted, however, the ultimate picture is still somewhat obscure.

At the B.I.M. conference Mr S. R. Plant,

¹ See *The Accountant*, May 7th, 1960, page 551.

² Compiled and published by O. W. Roskill & Co (Reports) Ltd, 14 Great College Street, London, SW1. 6 guineas net.

director and manager of Ind Coope Pension Trust Ltd, said: hat they had overcome most of their teething troubles in contracting out of the Government scheme. He pointed out that Ind Coope were the first company in this country to announce that they were going to contract out of the scheme — reference was made to the Ind Coope decision in the issues of January 23rd and January 30th this year. Ind Coope thus becomes the first company to be issued with a certificate of non-participation. In speaking of the contracting out process this week, Mr Plant said that those who have not yet made up their mind should not be deterred by the extent of the consultations which his company has had with the Registrar and the Inland Revenue.

Higher Mortgage Rates

THE decision made last week at the annual conference of the Building Societies Association to recommend higher mortgage rates and higher interest rates was not unexpected. The Association has recommended that new loans for homes should go up from $5\frac{1}{2}$ to 6 per cent immediately and that existing borrowers should pay 6 per cent in about three months' time. Savings invested in building society shares should receive $3\frac{1}{2}$ per cent interest as from July 1st compared with $3\frac{1}{4}$ per cent at the present time but interest rates on deposits should remain at 3 per cent. The Abbey National Building Society has already acted on the recommendation. As from July 1st shares in this society will receive $3\frac{1}{2}$ per cent, income tax paid, and build-up shares for regular savers will get 4 per cent, income tax paid. New mortgages will cost 6 per cent at once compared with $5\frac{1}{2}$ per cent and existing borrowers will pay 6 per cent as from October 1st.

The only question which was really open to speculation before the Association made its announcement was how far the rates should be increased. It was known that some of the smaller societies, especially in the London area, were anxious that the mortgage rate should go up to $6\frac{1}{4}$ per cent. In the end the preferences of the larger and more conservative societies have won the day and an increase to only 6 per cent has been recommended. The effect of the increase is to put 7d more per month on every £100 borrowed.

Northern Ireland Budget

AMONG the changes in taxation proposed by the Northern Ireland Finance Minister, Captain Terence O'Neill, in his Budget last Tuesday, were: a reduction in the flat rate licence duty on private cars from £13 to £12 10s as in Britain; the valuation of business for estate duty purposes on the basis of going concerns and not on break-up value; duty on gifts *inter vivos*, now free of duty if made more than three years before death, would be given further concessions of 20 per cent in the second year and 50 per cent in the third year; the first £20 of tax

payable by cinemas in any week would be remitted. The cost of these changes, excluding the estate duty proposals, would be £90,000.

Total income for the year, estimated at £117,469,000, compares with £100,540,000 a year ago, and is the biggest increase ever, excluding the war years.

Rising Imports from America

THE full trade figures for April published this week show that there has been a significant rise in imports from North America since the beginning of this year. This rise has not been limited to foodstuffs and raw materials. It has included machinery, chemicals and textiles. The liberalization policy in external trade is therefore beginning to show itself in the external trade account.

One consequence of this has been a rise in this country's adverse balance with countries outside the sterling area although over the same period there has not been a worsening of this country's balance with the rest of that area.

So far as exports are concerned, there are indications that the North American market is losing some of its buoyancy and that the pace of expansion may be taken in future by European markets — on both sides of the Iron Curtain. This would hardly be surprising since the rate of expansion in exports to North America has recently been at a pace which it would be difficult to maintain, while on the other hand the rise in prosperity in Europe must be reflected to some extent in times of comparatively liberal trade policies in higher exports from the United Kingdom. Overall, the trade figures show an important switch in emphasis from imports of raw materials to finished goods as the United Kingdom trade cycle develops and liberal trade policies work themselves out, accompanied by a switch in emphasis of export markets.

Higher Exports Needed

THE Chancellor of the Exchequer, speaking at this month's meeting of the National Production Advisory Council on Industry, dealt among other things with the need for a higher level of exports. He pointed out that in his opinion our balance between exports and imports is 'not yet right' he considers that we must do better both absolutely and in relation to other competing countries. He therefore asked that in wage negotiations, in profit and dividend policy and in investment planning everyone in industry should accept a new responsibility to make their actions consistent with the need for higher exports.

From the T.U.C. representatives there was some critical comment that expanding exports and restrictive credit policies do not go hand in hand. The statistics over the last few years of the performance of this country compared with its competitors in overseas markets suggests that there may be something in this criticism though the truth is likely to be that Mr Alan Birch (who spoke for the T.U.C.) may

well have been right in his remarks for the wrong reasons. The figures show that of recent years those countries have developed their exports most rapidly which have pursued most consistently a policy of expansion. In this country we are acutely aware, and successive Governments have gone to some trouble to publicize the fact, that we exist on a slender margin of about £100 million and that our balance of payments situation must be kept constantly under review to the extent that fiscal, monetary and general economic policy take the balance of payments situation as the prime indicator on the state of the economy and on any need there may be for a change

of policy. In this country the preoccupation with the balance of payments situation has necessitated a repeated holding in check of the economy by some form of control on monetary discipline. The effect of this has been to administer to the economy a series of fits and starts rather than a smooth, comparatively uninterrupted long-term process of economic expansion. The criticism has been voiced in a number of quarters recently that this zig-zag course towards long-term prosperity may not be the right prescription. Those who hold this view, however, have got to explain with some persuasiveness that the alternative is not going to be a form of creeping inflation.

This is My Life . . .

by An Industrious Accountant

CHAPTER 26

IS it true that accountants are supposed to be dull dogs, and that our profession lacks appeal to the average high-spirited boy?

The point was brought home to me forcibly last week when a very pleasant lady, widow of a distinguished member of the profession, brought in her 17-year-old son to discuss his career. She wanted him to follow in his father's footsteps; but he was clearly not enamoured with the idea. They had talked to two of our leading Fellows in practice and now were looking at the industrial picture, having regard to our numbers engaged in commerce.

Well, Sonny was an attractive, open-faced lad, with a fine school record, so I showed him round the office and described in glowing terms the accountancy life. He didn't respond as expected. 'All those fellows just sitting there doing tots all day', he said. He had a rapt expression for a moment. 'I want to meet exciting people, do exciting things . . . like a doctor . . . or a lawyer.'

His day-dream was almost tangible, like a Water Mitty fantasy . . . the white-faced onlookers shuddered as the great surgeon cut deep . . . the duchess clutched convulsively at the rails of the dock as the Q.C. came tigerishly to his feet. It was going to be hard to compete - especially as our auditor looked in gloomily just then to say the control account was out by ten bob and he'd have to hold his boys back late to find it.

I led the way to the punched-card room. 'Marvels of modern science . . . steel tape . . . 800 per minute,' I shouted above the clatter of the tabulator. 'Sound-proofed walls . . . an accountant's paradise.'

Sonny was looking distastefully at an oily mechanic overhauling the innards of the sorter. 'I hate mucking about with these engine affairs,' he said wistfully. 'I want to travel.'

I showed him some advertisements for jobs abroad, but there's no doubt they looked drab and colourless. Even Malaya and Peru only conjured up a picture of more ledgers on more desks. Why, oh why, do our professional ethics eschew the dramatic side of our work, and underplay our climaxes? Where are our public relations men to impress our public? I mentally sketched an advertisement with the 'New Look':

'X.Y.Z. & Co require young qualified assistant for dangerous assignment in darkest London. Ex-Commando preferred, with knowledge of two foreign languages, invisible inks, I.D.P. Expert marksmanship and ability to hold liquor desirable. Shoulder-holster, skeleton keys and free medical services supplied; partnership if applicant returns.'

The accompanying illustration would show a hawk-faced type with levelled balance sheet over-awing sundry sinister-looking foreign tycoons (their exact nationality would require delicate assessment of the international situation at the time, but sleek, black moustaches would help), with a cabinet minister burbling gratitude . . . perhaps with a blonde for more junior vacancies.

The little sketch was shaping like a mural at this stage; I became suddenly aware of Sonny again and his problems, and I showed him our prospectus. 'I've seen all that,' he said sadly. 'More old figures . . . executorship stuff . . . don't accountants have any fun? You know, like Emergency Ward 10, or those scientists who disintegrate things?'

My own earliest knowledge of our fun was Conan Doyle's fifty-year-old thriller of the Edinburgh accountant who suffered a brain-storm from over-work and in his psychic trance saw re-enacted in the ancient mirror beside him a murder it had witnessed long ago. It hardly seemed the answer to his plea. But his mother took him up sharply. 'That's enough, Sonny. Accountants just don't have fun,' she snapped. 'I've no money for the university; so you'll just have to settle down to a grind.'

He looked broken-hearted as they departed. What are the chances of some really good attractive publicity for the profession?

Reviews

Principles of Cost Accountancy

by C. I. BUYERS, C.A., A.C.W.A., and G. A. HOLMES, F.C.A. (The Donnington Press, St Albans, and Cassell & Co Ltd, London. 35s net.)

A short but excellent introduction to this new work explains in turn the objectives of costing, the characteristics of a good system of cost accounts and the relationship between cost and financial accounting. Then comes a chapter on general principles in which cost centres and cost units are defined, expenditure is classified, cost and accounts codes are tabulated, the distinctions between job, batch and process costing are made clear and standard costing and budgetary control and marginal costing are introduced. The remainder of the book – and this means more than 500 pages – is devoted to the detailed consideration of the components of cost, material, labour and overheads and to the practical application of the various methods of costing. Specimen questions, taken from or based upon examination papers of the leading professional bodies, are given at the end of each chapter.

It is impossible to indicate in a single paragraph the scope and content of this manual. Messrs Buyers and Holmes have not spared themselves in their efforts to write a complete guide to costing principles – and practices – and they have succeeded without a trace of that irritating suggestion of mystique which some writers employ. Although designed primarily for students, this book should also prove most useful to accountants who, in the authors' tactful words, 'qualified before the more modern concepts came to be widely adopted'. It deserves a wide and, for many years, a continuous readership.

Internal Auditing

Second edition, by W. W. BIGG, F.C.A., and J. O. DAVIES, F.C.A., A.C.W.A. (H.F.L. (Publishers) Ltd, London. 21s net.)

Internal auditing has but comparatively recently attained full adult status, so a book that states the scope and complications as clearly, fully and precisely as this is sure of a welcome. A British effort in what has tended to be American territory, it draws a more ready response from the reader in this country. This is a second edition and seems all set to become a standard work of reference.

Pioneering work deserves to be examined with an inquiring mind rather than with a view to detecting minor deficiencies. All through the text one is conscious that the authors are mapping a course through accounting and auditing routines which were developed before the advent of the internal auditor.

In a pleasant format, with nicely judged chapters and an easy style, the text makes comfortable reading; and there is a satisfactory and comprehensive index. Much of the book is aimed at enticing the reader to consider the nature of the subject. Such questions come to mind as: Is it necessary to get the external auditors' approval to the programme as distinct from consulting with them? How far may the smaller organizations depart from the strict interpretation of an internal auditor's functions in order to make full use of his services? Need we be too diffident about mingling O. & M. with internal audit? To what extent may the internal auditor assist local management with advice? Guidance is given on all such matters.

Inevitably, attention is given to the needs of students; but it is noticeable that these references to more elementary and theoretical matters are less interesting than the hard facts of experience which illuminate the text.

This book will be invaluable to all accountants who wish to assist management in large organizations, and also to the professional accountant who desires to frame his own audit programme to take full advantage of the work of the internal auditor.

The Field Sales Supervisor

(British Institute of Management, London. 17s 6d net.)

As two heads are sometimes better than one, so one head may be better than others in devising the apt solution to a particular problem. The B.I.M. has obtained the benefit of both methods of approach in *The Field Sales Supervisor*, which is based on the views and practices of a number of leading companies, and which includes a very large number of documents and forms in use by individual organizations.

The field sales supervisor is defined as the individual responsible, in the field, for (a) the training and control of sales representatives and (b) the profitable development of business in his region. He will probably do some personal selling or carry out service visits. He may also be responsible for some administrative office work. The theme of the treatise, however, is that administration from a base office is more properly the concern of a sales manager; and that in many concerns there is ample scope for a person of management status who will concentrate his efforts on developing and controlling salesmen and the sales effort in the field. This concept is apparently well established in America; but until the appearance of the booklet under review it had not been adequately documented in this country.

The accountant will regret that more space could not have been given to the financial aids which would guide the field sales supervisor in developing the business in his region profitably. So far as costs of selling are concerned, the possibility of establishing budget targets is mentioned only in passing; and the

illustration given merely quotes periodic ratios between selling expenses and the value of orders booked. Such statistics would be of value only if prices and profit margins were reasonably consistent, and if selling costs could be expected to vary directly with sales value.

The field sales supervisor will in many cases not be concerned with the profitability of sales achieved. The present publication quotes only one example, from a company which provides its supervisors with a monthly trading return and balance sheet. This again must be an exceptional instance.

The object of the booklet, however, is not to provide a sales supervisor's vade-mecum, but to re-emphasize the primary importance of sales effort in the field, and to provide suggestions for ensuring that the people concerned in this effort are properly selected and trained. This purpose is well achieved.

Audits

by Sir ARTHUR E. CUTFORTH, C.B.E., F.C.A. *Eleventh edition*, by ALFRED PALMER, F.C.A., and J. C. CRAWFORD, B.COM., C.A. (Gee & Co (Publishers) Ltd, London. 17s 6d net.)

The first edition of this celebrated book appeared in 1907 and its success was immediate and continuous. It is likely, therefore, to have been familiar to almost every accountant under the age of 70, in his student days. The text of the latest edition has been substantially rewritten or revised by the present editors who have skilfully complied with present-day requirements without affecting the unique character and design of the original work.

The Business Computer Symposium

(Sir Isaac Pitman & Sons Ltd, London. 75s net.)

As readers of this journal will be well aware, the first British electronic computer exhibition was held at Olympia towards the end of 1958; ten years previously the computer was little more than an item of research. The full measure of the fantastic pace of development in this field, however, is provided by the papers read at the symposium on computers held concurrently with the Olympia exhibition, and now collected in this book. Each paper – there are twenty-three in all – is written in non-technical terms, the emphasis throughout being on intelligibility to an audience of prospective clients anxious to learn what benefits they might derive from the purchase or hire of a computer. For the professional accountant there are papers on wages accounting, stock control and public utility records and accounts. The industrial accountant can read about the use of computers for production control and data processing. To any accountant whose clients may be contemplating the installation of a computer, or may wish to hire the services of such a machine for processing their own records, this book can be strongly recommended. Included with each paper is the text of any discussion that may have taken place at the respective sessions.

The Literature of the Social Sciences

An introductory survey and guide by PETER R. LEWIS, F.L.A. (The Library Association. 28s net.)

This most useful book, prepared by a member of the Board of Trade library staff, originally undertaken as a guide to students studying for the examinations of the Library Association, has been developed and expanded into an excellent work of reference. The various branches of the social sciences are documented in turn; books, journals and periodicals are all cited with appropriate and relevant comment. There is a useful section for the business man on industrial and commercial handbooks, trade year-books and commercial intelligence. For the person who is embarking upon a study of any branch of the social sciences, a preliminary reading of the relevant section of this booklet would prove most helpful. Material available up to end February 1959, has been included. It is to be hoped that revised editions will become available at regular intervals.

SHORTER NOTICES

THE CANADIAN ECONOMY: PROSPECT AND RETROSPECT, by Professors R. E. CAVES and R. H. HOLTON. Harvard University Press. Oxford University Press, London. 80s net. This authoritative study of the Canadian economy was originally undertaken for the Canadian Pacific Railway Company, to furnish its board with a guide for the formulation of investment decisions. That report has been greatly expanded and the book itself runs into nearly 700 pages. There are two main themes: the first analyses the evolution of the Canadian economy in the light of modern 'growth' economics, while the second seeks to make projections about the more important economic variables and major industries. For the business man who has the leisure to read, this book will show him what is meant by economic forecasting and research when properly done.

HERBERT HOOVER AND THE GREAT DEPRESSION, by Harris Gaylord Warren. Oxford University Press. London. 50s. The Republican Party of the United States has with but few exceptions, not been too fortunate in its choice of leaders. Few of those who ultimately became Presidents, however, were confronted with problems so grave and universal as was Herbert Hoover, who was to be followed by Franklin D. Roosevelt and the New Deal. According to Professor Warren, no one has done justice to Hoover, whose friends have joined in uncritical praise and whose enemies magnified his failures while ignoring his great achievements. This book is based upon the events of 1928–33 and discusses the world economic crisis and Hoover's rivals should be thankful that he, and not one of them, was President. This is an absorbing piece of research in which the American scene and politics of the depression years are described in a most readable style.

CANADA IN THE WORLD ECONOMY, by John A. Stovel. Harvard University Press; Oxford University Press. London. 60s. This is an extended version of a doctoral

research thesis on the Canadian economy with particular reference to that country's balance of payments since the turn of the century. For the theorist, the main interest in this work is to be found in the discussion of the theory of the international balance of payments from Mill and Taussing to the modern Keynesian approach. Additionally, there is a thought-provoking statistical critique of Jacob Viner's classic study on the same subject as this book. For the general reader with some understanding of modern economics there is much of interest on the problems of the expanding Canadian economy.

RECENT PUBLICATIONS

- AUDITING PRINCIPLES, by W. B. Jencks, M.A., C.P.A. vii+526 pp. 9½×6½. 66s. McGraw-Hill, London.
- A TEXTBOOK OF MONEY, by S. Korteweg and F. A. G. Keesing, translated from the seventh Dutch edition. xx+308 pp. 9×6. 35s net. Longmans, Green & Co Ltd, London.
- UNDECIDED CASES IN BANKING, Gilbert Lectures 1960; four lectures by Maurice Megrah, delivered under the auspices of the University of London, King's College. 47 pp. 9½×6½. Card covers. 4s. Published by *The Banker*, Bracken House, 10 Cannon Street, London, EC4.
- COLLECTION OF DEBTS, Oyez Practice Notes No. 43, by W. D. Park. 93 pp. 8½×5½. Card covers. 12s 6d net. The Solicitor's Law Stationery Society, Ltd, London.
- THE RECEIVER AND MANAGER IN POSSESSION, by Andrew Binnie, F.C.A., C.A.; fourth edition, by Brian Manning, C.B.E., D.L., J.P., F.C.A. xii+128 pp. 9×5½. 21s net. Post free (inland). Gee & Co (Publishers) Ltd, London.

RAPID STATISTICAL CALCULATIONS, by M. H. Quenouille, M.A., F.R.S.E. xv+79 pp. 6½×4½. 10s. Charles Griffin & Co Ltd, 42 Drury Lane, WC2.

ELECTRONIC COMPUTERS, Principles and Applications, second edition, by T. E. Ivall. viii+263 pp. 9×6. 25s net (by post 26s). Published for 'Wireless World' by Iliffe & Sons Ltd, London.

SHEEP ON THE ARABLE FARM 1960, A study of Sheep Production and Profits in the Eastern Counties, by P. G. James. 39 pp. 10×7½. Paper covers. 3s 6d post free. Report No. 49 is issued by the Farm Economics Branch, School of Agriculture, Cambridge University.

THE INTRODUCTION OF WESTERN ECONOMIC INSTITUTIONS INTO THE MIDDLE EAST, Chatham House Memoranda, by James Baster. 41 pp. 10×8. Card covers. 4s 6d net (U.K. only). Distributed for the Royal Institute of International Affairs by the Oxford University Press, London.

WORK STUDY, by R. M. Currie, C.B.E., M.I.MECH.E., M.I.C.E., M.I.PROD.E., with a foreword by Sir Ewart Smith, F.R.S. xv+232 pp. 9×5½. 22s 6d plus 1s 3d postage. B.I.M. members 18s plus postage for three months only. Published for B.I.M. by Sir Isaac Pitman & Sons Ltd, London.

WHY PEOPLE BUY, Motivation Research and its successful application, by Louis Cheskin. 348 pp. 9×6. 35s net. Published by Business Publications Ltd, London, in association with B. T. Batsford Ltd, 4 Fitzhardinge Street, Portman Square, London, W1 (who are the trade distributors).

PRINCIPLES OF ACCOUNTING, edited by Stanley W. Rowland, LL.B., F.C.A., sixth edition revised by G. A. Holmes, F.C.A. xvi+628 pp. 9×6. 27s 6d net. The Donnington Press, St Albans, and Cassell & Co Ltd, London.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Diamond v. Campbell-Jones

In the High Court of Justice (Chancery Division)
February 4th, 1960

(Before Mr Justice BUCKLEY)

Income tax - Purchase of leasehold house - Seller's breach of contract - Purchaser a property-dealer - Calculation of damages - Whether tax deductible.

The defendant and others agreed to sell to the plaintiff a leasehold house for £6,000. The sale was subject to a contract made between the reversioner and the defendants, whereby the latter were to do a large amount of work on the house including the conversion of the ground floor and basement into self-contained office accommodation and the remainder of the house into a self-contained maisonette. The consent of the Minister of Housing and Local Government had been given to the defendants for the conversion.

The plaintiff carried on business as a property-dealer, and he had bought and converted a number of houses in London, and his purpose in acquiring the house in question was to obtain vacant possession so that the house could be developed by sub-division. At the time of the sale agreement neither party knew whether the plaintiff would himself convert the house or whether he would sell it unconverted. The defendants wrongfully repudiated the sale agreement, and the question arose as to the proper measure of damages.

The plaintiff contended that the proper measure was the profit which he would reasonably have made had he converted the house into an office and two maisonettes. The defendants contended that the measure of damages was the difference between the sale price and the market value of the house at the date of the breach; and they also contended that they were liable only for an amount representing the plaintiff's profit after the deduction of tax.

Held: (1) the damages should be calculated in accordance with the principle normally applicable to this type of case, namely, as the difference between the purchase price and the market value of the house at the date of the breach of contract; (2) the damages recovered by the plaintiff were liable to attract tax as a receipt of his business as a property-dealer; and, therefore, the sum to be awarded as damages was the gross amount thereof.

Finance and Commerce

Bentalls

OUR reprint this week is from the accounts of Bentalls Ltd, the department store business founded at Kingston upon Thames which has spread to Ealing and Worthing, and through Mary Lee Ltd now includes the Tunbridge Wells fashion store.

Bentalls' annual report has been the subject of earlier criticism in this column, and it is fitting that the great improvement in the last accounts should be placed on record. In the accounts themselves, the change is not so pronounced and there is, indeed, no vital purpose to be served in altering the established standard form. Two pages instead of one have been taken for the statement of profit and its allocation but this is largely a matter of more extended layout.

But there is now a review by the chairman, Mr Gerald C. Bentall, C.B.E., with the accounts, and most important a 'Record of ten years' progress' giving what might be called the 'temperature chart' of the business. Ten-year records more often than not merely restate balance sheet figures in a columnar form. The Bentall statement deals with the running of the business: its sales, profits and the capital employed. Under 'Sales' is shown the extent to which those engaged in the business succeeded in their aim 'to serve and satisfy all those who, as customers, patronize Bentalls'. In the percentage of trading profit to sales, there is an index of efficiency in the economic circumstances of the time, and in the percentage of gross ordinary dividend to sales, there is the measure of the equity holders' participation in the growing business. This 'record' forms part of the reprint.

Speeding Transfers

AN important step has been taken by the British Petroleum Co which, to reduce share transfer delays, has recently decided to dispense with signatures on share certificates. Certificates are now authenticated by the company under its seal, without signatures. The company, like many others, is also abandoning the 2s 6d registration fee.

It is hoped by streamlining procedure, to have certificates ready forty-eight hours after the lodging of transfers. The omitting of signatures, even though mechanically inscribed, will save considerable time in a department that handles certificates by the thousand. During the last five years, various debenture and share issues have each involved the issue of several thousand certificates. Including normal transfer business, over 100,000 items were dealt with in 1959.

One Column

THE accounts of Rockware Glass Ltd present a query that must often have been in the minds of those contemplating a change in layout. In the normal presentation of figures, two columns are required and this developed particularly from the form of balance sheet that we used to call the 'modern form'. It is the form that owes much to the late F. R. M. de Paula, who thirty years ago gained the widest publicity for his methods in the accounts of the Dunlop Rubber Co of which he was chief accountant.

Prior to that, liabilities and assets were listed each in single-column style with no great regard for context so that, for instance, one had capital at the top and the profit and loss account balances before appropriations, at the bottom. There were no such totals as capital, reserves and surplus and the whole thing had to be sorted out. Sorting out in the 'modern' form meant one column for the detail and a second for the group totals.

Rockware Glass, however, while preserving the narrative grouping puts all the figures into one column and distinguishes the detail by enclosing it in a 'box', as the printers call it. And the curious thing is that there is ample space for the now more usual form.

Does the 'box' give sufficient distinction? Does the eye instinctively eliminate the boxed figures when considering the group totals? The reproduction below of the liabilities side of the consolidated balance sheet will enable readers to test it for themselves.

ROCKWARE GLASS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 31 December 1959

	1959 £	1958 £
Issued Share Capital		
6 per cent Cumulative Preference Shares of £1 each	700,000	700,000
Ordinary shares of 5 shillings each	1,250,000	1,250,000
	1,950,000	1,950,000
Revenue Reserves		
General Reserve	460,000	400,000
Unappropriated Profits	164,514	158,212
	624,514	558,212
Total Capital and Reserves	2,574,514	2,508,212
Deferred Liabilities		
Future Taxation—Income Tax payable 1st January 1961	106,000	168,250
Taxation Equalization (see note 2)	86,700	96,750
	192,700	265,000
Repairs Provision (see note 3)	135,400	149,250
Staff Pensions Provision (see note 4)	82,500	99,997
	410,600	514,247
Current Liabilities		
Trade and other creditors (see note 5)	480,161	439,166
Taxation	223,408	236,801
Crate deposits	237,184	247,503
Ordinary dividend recommended (less tax)	68,906	61,250
	1,009,659	984,720
	<u>£3,994,773</u>	<u>£4,007,179</u>

[The notes are not reproduced—Editor.]

Consolidated Profit and Loss Account

[illegible]

RENTALLS LIMITED AND SUBSIDIARY COMPANIES
Consolidated Balance Sheet 31st January, 1960

[illegible]

BENTALLS LIMITED AND SUBSIDIARY COMPANIES

Record of ten years' progress

Year to 31st January.	SALES			PROFITS				CAPITAL EMPLOYED		
	Amounts in £000's.	Per cent. of Trading Profit to Sales.	Per cent. of Gross Ordinary Dividend to Sales.	Trading Profit before Taxation £000's.	Of which was taken in Taxation £000's.	Ploughed back into the Business £000's.	Dis-tributed in Net Dividends £000's.	Amount in £000's.	Per cent. of Trading Profit* to Capital Employed.	Per cent. of Gross Dividend to Ordinary Stock-holders Capital and Reserves.
1951	5,485	3.35	1.46	184	97	42	45	1,765	10.5	7.0
1952	5,600	3.50	1.43	196	127	24	45	1,877	10.5	7.0
1953	5,560	5.54	1.49	308	176	83	49	1,894	16.5	6.8
1954	5,846	5.83	1.71	341	201	82	58	1,929	17.9	7.9
1955	6,496	6.17	1.92	401	226	100	75	2,035	19.9	9.2
1956	7,264	5.92	1.86	430	221	127	82	2,305	18.9	9.1
1957	7,702	5.78	1.90	445	257	99	89	2,376	19.3	9.3
1958	8,016	6.13	1.82	491	282	120	89	2,581	19.6	8.7
1959	8,434	6.13	1.98	517	287	123	107	2,828	18.8	9.2
1960	9,311	5.99	2.23	558	256	169	133	3,458	16.9	10.7

*Adjusted for Loan Interest.

CITY NOTES

DEVELOPMENTS in the sphere of international politics have caused a considerable amount of investment rethinking. From 'bear' market considerations, opinion has completely switched to terms of renewed inflationary pressure. As a result the industrial equity market has returned to investment favour despite the possibility that a recurrence of strong inflationary pressure could mean a further bout of credit restriction.

Whether or not the new turn-round in the market is a temporary phase in the 'bear' market, which the statisticians of the City diagnosed from a reading of the indices of share prices only two weeks ago, is something for the future to show but it is difficult to gainsay the view that political events have created an atmosphere in which Government spending—regarded as the prime inflationary force—is likely to remain high and more than likely to increase.

As to the possibility of fresh credit curbs, it is recognized that the authorities may wish to see how the recent measures work out before coming to any decision on the desirability or otherwise of any new moves. At the same time, it is improbable that conditions will develop which will allow any easing of pressure on credit and far more probable that tighter control will eventually be necessary.

Such views must inevitably keep the gilt-edged market in check and may well cause some acceleration in new capital demands from industry.

RATES AND PRICES

Closing prices, Wednesday, May 25th, 1960

Tax Reserve Certificates: interest rate (Jan. 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Mar. 18	£4 12s	3.52d%	April 22	£4 13s	0.88d%
Mar. 25	£4 12s	5.03d%	April 29	£4 13s	0.48d%
April 1	£4 12s	5.05d%	May 6	£4 13s	4.70d%
April 8	£4 12s	11.83d%	May 13	£4 11s	1.56d%
April 14	£4 13s	1.10d%	May 20	£4 11s	1.69d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 5/16-7/16	Frankfurt	11.69-1/4
Montreal	2.76 1/16-77 1/16	Milan	1740 1/2-1
Amsterdam	10.57-1/4	Oslo	19.99 1/8-1/8
Brussels	139.81 3/8-5/8	Paris	13.74-1/4
Copenhagen	19.37-1/4	Zürich	12.10-1/4

Gilt-edged

Consols 2½%	46 1/8	Funding 4% 60-90	89 1/8
Consols 4%	71 1/8	Saving 2½% 64-67	83 1/8
War Loan 3½%	62 1/8	Savings 3% 55-65	90 1/8
Conversion 3½%	62 1/8	Savings 3% 60-70	80 1/8
Conversion 3½% 1969	85 1/8	Savings 3% 65-75	74 1/8
Exchequer 5½% 1966	101 1/8	Treasury 2½%	46
Funding 3% 66-68	83 1/8	Treasury 3½% 77-80	74 1/8
Funding 3% 59-69	82 1/8	Treasury 3½% 79-81	74 1/8
Funding 3½% 99-04	68 1/8	Victory 4%	94 1/8

Current Law

Date of Survivorship

THE Court of Appeal in *Re Douglas's Will Trusts, Lloyds Bank Ltd v. Nelson and Others* ([1959] 3 All E.R. 785) affirmed the decision of Vaisey, J. ([1959] 2 All E.R. 620). The testator gave his residuary estate to his wife during her life or widowhood and thereafter to his three sisters 'or the survivors or survivor of them'. Vaisey, J., held that the words 'or the survivors or survivor of them' were related to the period of distribution, viz. the death or remarriage of the widow, and in the Court of Appeal the personal representatives of the last survivor of the sisters, all of whom had died, while the widow was still alive, did not dissent from that view; but they contended that the effect of the provision was that it contained two independent gifts, first an absolute gift to the sisters as joint tenants, and, secondly, a divesting provision which would operate provided, but provided only, that at any rate one sister survived the period of distribution so as to divest the previous gift and confer a substituted gift to the survivors or survivor. This view, founded on the rule in *Browne v. Lord Kenyon* ((1818), 3 Madd. 410), Vaisey, J., had also rejected.

The rule is stated thus in *Hawkins on Wills* (third edition):

'A bequest to several, or to a class, "or" to such of them as shall be living at a given period, is construed as a vested gift to all, subject to be divested in favour of those living at that period, if there be such; and if none are then living, all are held to take.'

Distinguishing *Browne v. Lord Kenyon*, Lord Evershed, M.R. (with whom Sellers and Harman, L.JJ., agreed), pointed out that there the beneficiaries were named as tenants in common, whereas in the instant case the gift was simply 'to my sisters' without any words of severance, so that if it took effect it took effect as a gift to them as joint tenants, and this meant that (unless they severed their joint tenancy) the survivors or survivor alone would take.

The learned Master of the Rolls did not think it possible to treat the first part of the phrase used as intended to confer and conferring a joint interest absolutely on the three sisters with a divesting provision added on. Such a construction would mean that the last sister to die was necessarily entitled whether or not she survived the widow and that was an absurd result to introduce into the interpretation of the words used. It followed that the rule in *Browne v. Lord Kenyon* only applied where

the language of the first gift – and prima facie it would be because it was a gift to persons in undivided shares – rendered the reference to survivors inconsistent with what preceded, unless the latter be regarded as a divesting provision. In the instant case the words referable to survivorship were merely expansive or expository of the previous words so as to make the right to obtain anything under the gift contingent on survivorship of the widow, and, as no sister survived the widow, the gift failed.

Revocation of Committal Order

WILTSHIRE v. FELL ([1959] 3 All E.R. 862) decides a short point on Section 5 of the Debtors Act, 1869. The judge of the Devizes County Court made a committal order under the section against the debtor, who had defaulted in making payments under an instalment order, but subsequently revoked it because of the genuine inability of the debtor to pay from time to time owing to the misfortune of his wife's mental disorder. The judgment creditor appealed on the ground (*inter alia*) that the learned judge had no power to make the order for revocation. The Court of Appeal (Hodson and Ormerod, L.JJ.) allowed the appeal, holding that the Act gave no power to revoke the committal order, which could only be revoked on appeal. The Act does, however, allow the judge to vary the effect of the order, or to suspend its operation.

Action against Company in Liquidation

IN *Cook v. X. Chair Patents Co Ltd* ([1959] 3 All E.R. 906) the liquidator of the defendant company, which was being wound up voluntarily, applied for an order that all proceedings in an action brought by the plaintiff against the company be stayed on the footing that he should be at liberty to prove his claim in the winding up. The plaintiff was an employee of the company under a service agreement which would not expire until 1964 and he claimed damages against the company for wrongful dismissal. It was not in dispute that the company was liable for damages, but there was a substantial dispute between the parties as to the amount of those damages.

Wynn-Parry, J., dismissed the application, applying *Currie v. Consolidated Kent Collieries Corporation Ltd* ([1906] 1 K.B. 134), where Collins, M.R., in the Court of Appeal, enunciated the principle that in the case of a voluntary liquidation an employee of the company having a claim for damages for wrongful dismissal had a right to choose his tribunal, being entitled either to prove in the liquidation or to bring a separate action, and the Court ought not to interfere with his decision unless it was satisfied that circumstances existed which justified the taking away from him of his choice of tribunal. Wynn-Parry, J., was not prepared to say that the case before him fell within the exception. He attached weight to the fact that oral evidence would probably be necessary.

Furthermore, his lordship pointed out that there was a danger that if a proof was put in it would be rejected by the liquidator, and this would lead to the matter coming before the learned Registrar in winding up, and quite likely to its being taken from him to the Chancery Division.

Gift of Income in Perpetuity

THE testator in *Re Levy, Barclays Bank Ltd v. Board of Guardians and Trustees for the Relief of the Jewish Poor and Others* ([1960] 1 All E.R. 42) left his residuary estate upon trust to pay the income thereof in certain proportions to six charities. Where an indefinite bequest of income is made to an individual, then, in the absence of words indicating a contrary intention, the donee is entitled to call for the capital, the basis of this rule being that only by payment of corpus can the individual get the full benefit and extent of the gift which, as a matter of interpretation, the testator intended. From this basis it was argued that the charities in the instant case were entitled to corpus in the same way as individuals would have been entitled to it.

The Court of Appeal held that the rule has no application in the case of a charity, which continues in perpetuity and is not affected by the rule against perpetuities, so that a perpetual trust of income for its purposes is both effective and valid. On the true construction of the will in the present case the income was, in the case of each of the six charities, given for the general purposes of the work carried on by it, and it was not the testator's intention that the capital should be transferred to it. The Court drew no distinction between one of the charities, which was incorporated by Royal Charter, and the other charities, although a body so incorporated stands in the same position as an individual, save in so far as the charter limits its powers.

Whether Agreement Binding in Law

THE defendants in *Parker and Another v. Clark and Another* ([1960] 1 All E.R. 93), an elderly couple, suggested to the plaintiffs, a couple some twenty years younger, that they should live with the defendants. This entailed the plaintiffs getting rid of their own residence. The first defendant wrote to the first plaintiff a letter in which, *inter alia*, he proposed that the defendants' house should be left to the second plaintiff and her daughter and sister, and suggested how the running expenses of the house should be shared in the event of the couples living together. The plaintiffs duly sold their house and moved into the defendants' house, but after some time the arrangements broke down and the plaintiffs were compelled to leave. They brought an action against the defendants for damages and it was held that, if there had been no agreement, the plaintiffs would have been liable for the damage was the house lost by reason of their own fault.

The plaintiffs relied upon the letter written by the first defendant and referred to above; the defence rested mainly on the contention that there was no intention to create legal relations. It was also contended that the agreement, if binding, was one within Section 40 (1) of the Law of Property Act, 1925, that it was therefore unenforceable unless it was evidenced in writing, and that the letter referred to was not a sufficient memorandum.

Devlin, J., was satisfied that on the facts the parties intended to create legal relations and he found that there was a sufficient memorandum to render the contract enforceable: a written offer is capable of being a good memorandum although an agreement cannot come into existence until after the offer has been accepted, albeit a document which contains no more than a statement of all the terms of the proposed agreement, and does not indicate an intention to contract, would not be enough. His lordship assessed damages on the basis of the loss suffered by the plaintiffs by not being able to live in the defendants' house together with the second plaintiff's interest in expectancy in the value of the house, namely, one-third of its value.

Recovery of Money paid under Mistake of Law

THE appellant company in *Kiriri Cotton Co Ltd v. Dewani* ([1960] 1 All E.R. 177) obtained from the respondent a premium on the letting of a dwelling-house, contrary to Section 3 (2) of the Uganda Rent Restriction Ordinance (Laws of Uganda, 1951, c.115), and the respondent sought to recover the amount paid by him. The Judicial Committee of Privy Council, affirming the decision of the Court of Appeal for Eastern Africa, held that he was entitled to do so at common law.

Their lordships based their decision on the fact that the parties were not *in pari delicto*, since the duty of observing the law was placed by Section 3 (2) of the Ordinance on the shoulders of the landlord for the protection of the tenant. Their lordships distinguished *Langton v. Hughes* ([1813] 1 M. & S. 593), where Lord Ellenborough, C.J., said that what was done in contravention of an Act of Parliament could not be made the subject-matter of an action, pointing out that this observation was made in a case where a party was seeking the aid of the Court in order positively to enforce an illegal contract, and saying that it should be confined to cases of that description. Their lordships rejected a proposition that money paid under a mistake of law can never be recovered back, saying that the true proposition was that money so paid, by itself and without more, could not be recovered back, but if there was something more in addition to a mistake of law – something in the defendant's conduct which showed that, of the two of them, he was the one primarily responsible for the mistake – then it might be recovered back. The present was such a case.

MANAGEMENT ACCOUNTING IN ACTION

DISCUSSION GROUP'S USEFUL SEASON

The Management Discussion Group was formerly part of the organization of the Incorporated Accountants' London District Society; after integration the Group was taken into the framework of the London and District Society of Chartered Accountants. We are indebted to Mr Chas. W. Aston, F.C.A., chairman of the Group during the past season, for the following notes.

MANAGEMENT accounting in action' has been the theme running through the discussions of the Management Discussion Group during the 1959-60 season. The discussions have brought out very clearly the anxiety of practising members, as well as those who have gone into industry, to keep abreast of the flood of management accounting practices.

If one is to judge from the discussions, the smaller practitioners seem to feel that the specialist firms are likely to scoop the pool and are therefore most anxious to learn more about what is, to many, a closed book.

On the industrial side the younger members, in particular, are cognizant of the importance of learning the techniques of management accounting, but are uncertain whether to stay on the practising side for a few years after qualifying or to go immediately into industry and how to fit themselves for a successful career. Time is so short, they find, and there is so much to learn if one is to keep up to date.

No Mystique

At an early stage in the discussions it was agreed that there was no mystique about management accounting. It is nothing more than providing management with the information it needs and interpreting and using the figures. Management, it should be added, means management at any level, be it in the factory or in the boardroom or somewhere between. Management accounting consists of much more than budgetary control and standard costing, though they are two of its tools and are regarded by some practitioners as indispensable.

Fifty years ago a manager kept his finger on the pulse of his business more by instinct than anything else. He sensed that his stock was too large and found confirmation when his bank balance began to run down, but it was then too late. Modern management accounting sets out to show him that his stocks are increasing and to bring that fact to his notice before the point is reached where current resources are reduced. All the ways in which this can be done are management accounting - and not only the complicated ones; and it seemed, in listening to the discussions, that there is a need for a reappraisal of the value of management accounting techniques, asking oneself what management needs to know and how they can be helped.

Among practising members of the group, there seemed to be fairly general agreement that the specialist firms are best qualified to undertake the installation of new management accounting methods but that firms whose bread and butter work is auditing have nevertheless an important part to play. They should be able, for example, to advise their clients on the need for introducing a system; they should be able to discuss the subject intelligently and, after a system has been introduced, should be able to help the client to maintain it.

Register of Consultants

One sensed a disinclination on the part of the smaller practising firms to introduce a client to a specialist firm for fear that the audit might be lost to the larger firm. In the course of the discussion there was expressed a strong feeling that there should be a register of consultants who were prepared to advise on the installation of management accounting systems and who would undertake not to accept auditing work. There is a clear line of demarcation in the legal profession between solicitors and the Bar and in the medical profession between the general practitioner and the Harley Street specialist, and the feeling was that something of the same kind should be developed by the accountancy profession.

Reverting to the position of the smaller firms who cannot afford to specialize in management accounting, it was pointed out that they start with the advantage of knowing something of their clients' business. On the analogy of firms who provide book-keeping services, it was suggested that they ought to be able to offer a management accounting service and the thought was thrown out that perhaps the audit could be carried out by comparing the budget forecast with the actual results.

On Entering Industry

A question which troubles younger qualified men was answered in no uncertain terms by a managing director who was a firm believer in spending several years on the practising side of the profession before going into industry. In his view, the experience provides a good all-round mental discipline and is the best basic training for a career in industry. But, having left the practising side, the young accountant must:

- (1) forget he is an accountant while always remembering the code of conduct of a chartered accountant;
- (2) understand the techniques of his industry;
- (3) know the use made of the information he produces;
- (4) indicate conclusions which he thinks should be drawn from his figures;
- (5) emphasize the limitations (if any) of his figures and draw attention to any facts which they do reveal;
- (6) understand the aims and general policies of his management;
- (7) show initiative and develop into a manager.

Any member of the London and District Society of Chartered Accountants who is interested in the activities of the Management Discussion Group and would like to join the 1960-61 programme is invited to contact the Secretary, Mr K. H. Plender, Robson, Buildings, Finsbury

TENTH NATIONAL TAXATION CONFERENCE

HARROGATE, SEPTEMBER 23rd, to 26th, 1960

This year's national conference—the tenth—to be organized by our contemporary, *Taxation*, is to be held in Harrogate from Friday September 23rd until Monday, September 26th.

The conference will again be under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*, and will be open to members of the accountancy and legal professions, and to accountants in industry and commerce.

In addition to the business sessions dealing with the various phases of the law, practice and incidence of taxation, there will be an interesting programme of social events with special attractions for the lady visitors. The provisional programme is outlined below.

PROVISIONAL PROGRAMME

All business sessions will be held in the Royal Hall, Harrogate.

Friday afternoon, September 23rd

Short inaugural address by the Conference Chairman, Mr Percy F. Hughes, followed by a civic welcome by the Mayor of Harrogate, Councillor L. Roberts, J.P. It is hoped that lady visitors will attend these events.

Address by Mr E. W. C. Lewis, Deputy Controllor of Death Duties, Estate Duty Office, Inland Revenue, on 'The work of the Estate Duty Office'.

Chairman: The Rt. Hon. W. Glenvil Hall, P.C., M.P.

Friday evening

A reception and cocktail party will be given by the Editor of *Taxation* in the ballroom of *The Hotel Majestic*, to which all members and their ladies will be invited.

Saturday morning, September 24th

Mock computation interviews: Sets of accounts, copies of which will be issued to members, will form the basis of computations for assessment under Schedule D and profits tax, and will be negotiated item by item.

Representing the Revenue: Mr H. A. Bradford, F.S.A.A., H.M. Principal Inspector of Taxes.

Representing the taxpayers: Mr J. M. Cooper, A.A.C.C.A., A.C.I.S.; Mr K. R. Tingley, A.A.C.C.A.; Mr K. S. Carmichael, A.C.A.

For the ladies: A coach tour through some of the beauty spots in Yorkshire calling at Harewood House. By kind permission of Lord Harewood, a special opening has been arranged for a conducted tour of the House.

Saturday afternoon

Address by Mr D. W. Pursglove, A.C.A., on 'Anti-avoidance and the Finance Act, 1960'.

Chairman: Mr Thomas Liston, M.A., C.A., Immediate Past President, The Institute of Chartered Accountants of Scotland.

Address by Mr R. T. Esam, manager, United Kingdom Tax Division, Shell International Petroleum Co Ltd, on 'United Kingdom tax and investment overseas'.

Chairman: Mr J. E. Harris, B.COM., F.A.C.C.A., President, The Association of Certified and Corporate Accountants.

Saturday evening

Civic reception and dance to be given by the Mayor and Mayoress of Harrogate, Councillor and Mrs L. Roberts, in the Royal Hall. Evening dress or dinner jackets. Invitations will be extended to all those attending the conference.

Sunday morning, September 25th

Morning service for conference members and their ladies at St Peter's Church, Harrogate.

An eighteen-hole Stableford golf competition for the *Taxation* challenge cup will be held on the course of the Oakdale Golf Club.

Monday morning, September 26th

Address by Mr E. C. Meade, F.C.A., on 'Recent important case decisions'.

Chairman: Mr W. S. Risk, B.COM., C.A., F.C.W.A., F.C.I.S., President, The Institute of Cost and Works Accountants.

Address by Mr Percy F. Hughes, on 'Back duty—the new look'.

Chairman: to be announced.

For the ladies: A lecture and demonstration on the subject of traditional English wedding cakes, by Mr David R. Adams. Mr Adams, who made one of H.R.H. Princess Margaret's wedding cakes, will decorate a cake and show exhibition pieces.

Travel Arrangements

The conference headquarters and information office will be at *The Hotel Majestic*. Special facilities will be granted to all members of the conference by the Corporation of Harrogate.

Travel arrangements are being undertaken by Messrs Dean & Dawson, and detailed particulars of rail services from London can be sent on application. For the assistance of the organizers, it would be helpful if those who wish to take advantage of these arrangements would notify the conference secretary as soon as possible. Applications received at an early date will be given priority as regards registration and hotel accommodation.

Registration

Readers wishing to attend the conference are asked to make early application for registration as numbers have to be restricted. There is a conference fee of £2 2s 0d for each person attending, but no further charges are made by the organizers, all social functions, including tours, being free. (Those who attend will, of course, be responsible for their hotel accommodation and travel.)

Registration forms and lists of hotels may be obtained from the conference secretary, Mr Harold P. Kennett, 98 Park Street, London, W1.

Electronics in the Office

Automated Cheque-handling

CHEQUES and similarly-sized documents may be sorted automatically at speeds of up to 1,560 per minute by a machine soon to be available in this country. Intended at present for use in banks, it is claimed to be the fastest of its kind in the world.

Secret of this process is the prior imprinting of the cheques with numbers and symbols in magnetic ink. This job, which (when referring to branch location etc.) is done before the blank cheques are issued, is carried out in quite a small and simple machine. The characters, which differ only slightly from those in everyday use, can be read in the ordinary way.

Cheques, varying in size and thickness, and even quite drastically damaged, are loaded into a hopper at one end of the machine. The order into which they are sorted is determined by the operator, using push-buttons. As each cheque feeds itself into the machine, its code is read electronically, and the signals received therefrom cause it to be directed into one of twelve or more receiving pockets. The machine may be re-loaded and sorted documents removed while in action; any fault or blockage in the mechanism causes it automatically to stop immediately.

This machine, the Burroughs Automatic Sorter Reader, has already been adopted by the American Bankers' Association. It is known that banks in the United Kingdom are investigating its possibilities, and in fact Lloyds is reported to have placed an order for one for delivery in about eighteen months.

New Data Processing System

INTERNATIONAL COMPUTERS & TABULATORS LTD announced last Wednesday that in collaboration with the General Electric Co Ltd, they have produced a high-speed transistorized data processing system known as the 1301. In the design and development of the computer the two companies have made use of their jointly-owned group, Computer Developments Ltd.

The 1301 is stated to be suitable for a wide range of commercial and industrial organizations from those requiring a punched-card data processing system

capable of high operating speeds to those requiring a fully-integrated high-speed magnetic tape system. A feature of the computer is that it is possible to increase the size or the operating speed of the basic machine as originally installed, to meet the demands of a growing company.

The basic machine uses 80-column punched cards and incorporates a card reader, line printer, card punch, a core store with a capacity of 400 words, and a magnetic drum with a capacity of 12,000 words. The core store can be increased to 2,000 words, while the drum storage can be increased, by the addition of seven more drums, to some 96,000 words.

Operation is at a speed of one million cycles a second and automatic coding facilities have been provided so that time otherwise used for programming the machine can be saved. The cost of the basic installation is approximately £65,000 but a comprehensive system employing magnetic tapes and core stores might well cost twice or three times as much according to individual requirements.

Advanced French Computer

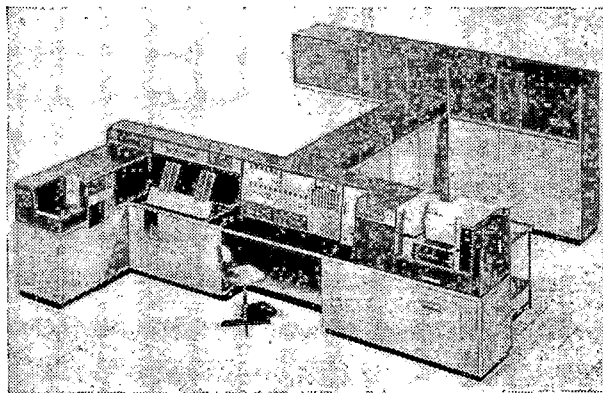
THE GAMMA 60 is a French computer of advanced 'simultaneous' design that enables it to perform many different operations at the same time so that all its component parts are fully employed. Among the first operators to use the computer are three insurance companies, two banks, the French Railways and the Belgian Telephone and Telegraph service.

The most important feature of the computer is that several unrelated data processing procedures can be performed simultaneously. Payroll, stock control, sales analysis and engineering design problems can all be run concurrently.

It is said that the computer's 'open' design materially reduces the danger of rapid obsolescence. Components can be accepted or rejected according to need and, when improvements are developed, the obsolete section can be replaced without affecting the rest of the machine.

In computer design there is the problem of making full use of expensive transcription units. The engineers of the Compagnie des Machines Bull, Paris, who developed GAMMA 60, which is marketed in the United Kingdom by De La Rue Bull Machines Ltd, decided that because data input and output units are slow compared with the arithmetic units and other electronic circuits of a computer, it was desirable to link a large number of these slow units in a common system and operate them simultaneously in parallel. Therefore, the system must be able to work on several programmes at the same time. This is because a programme generally proceeds step by step and it is impossible to perform several steps simultaneously if the results of one step have to be obtained before the next is begun.

So far fourteen GAMMA 60s have been sold at prices ranging from £535,715 to £892,857 depending on the components required. They will, however, shortly be available for rental. The monthly rate will be something under two per cent of the purchase price, or between £4,640 and £14,285.



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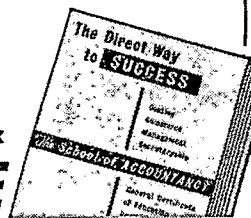
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Assurance Company to Install E.D.P.

UNDER a contract worth some £300,000, English Electric are to install their data processing system, EDP.10, claimed to be one of the most advanced and comprehensive electronic commercial systems available today, for the Commercial Union group of assurance companies, at a data centre which is being specially built for it in the south of England. The KDP.10 will be operational in early 1962.

In Commercial Union offices all over the country the details of each day's transactions will be transmitted by teleprinter over private land lines to a data centre. The centre is believed to be the first building specifically designed for a service of this kind, and will provide amongst other things an immediate and central store of information on all the activities of the companies.

On a daily basis the system will maintain a file of some five million policies on magnetic tape, prepare new policies, endorsements, renewal documents and agents' accounts, and deal with reconciliation of cash payments, as well as handling every kind of day-to-day query. Management control data, including branch and agent performance figures, analyses and trends of revenues and claims, and details of outstanding claims, will be produced as and when required.

The design of the system embodies a number of exclusive programming and operational techniques,

which provide for the rapid and secure handling of this data. Extensive built-in checking facilities at all stages of data-handling ensure that any errors are eliminated during processing and make KDP.10 particularly valuable for work in the insurance field where a very high standard of accuracy is the essential requirement of actuaries, accountants and auditors.

New All-transistor Computer

THE forerunner of a new generation of all-transistor electronic computers—the EMIDEC 1100—was recently demonstrated at the headquarters of E.M.I. Electronics Ltd.

Capable of performing nearly half a million calculations a minute, the system is designed as a business machine and is ideally suited for all types of clerical work from sales and payroll accounting to stock control and production planning.

A high degree of flexibility has been achieved in the design of the computer which enables it to be used with a wide variety of input and output equipment. Standard units are so arranged that installations are capable of carrying out a wide range of jobs. Some 1,000 plug-in printed circuit cards are employed and these can be quickly replaced when necessary. Any faults that might develop are automatically detected and reported by the computer itself.

In Parliament

Decimal System

Mrs SLATER asked the President of the Board of Trade what consideration he has given to the joint report of the British Association for the Advancement of Science and the Association of British Chambers of Commerce on the conversion of weights and measures to the decimal system.

Mr MAUDLING: I am considering this very interesting report.

Mrs SLATER: Does not the right hon. gentleman think that the numerous reports which have been issued on this subject over the years, and, in particular, that part of the Hodgson Report which deals with it, suggest that it is now time that some decision should be taken quickly in the interests of trade and of easier teaching in our schools?

Mr MAUDLING: These are exceedingly difficult questions which have been discussed publicly for a century or more. As there have been only a few days since the last report came out, I hope we may be given more time to consider it. These are the sort of things upon which informed public discussion and comment are particularly useful.

Mr LIPTON: Is the right hon. gentleman aware that public opinion is very well informed on this matter already, and even better informed than the Government, and does he not agree that the time has now come to introduce the decimal system?

Mr MAUDLING: I think the hon. Member is arrogating to himself a greater knowledge of public opinion than I would be prepared to do.

Hansard, May 17th, 1960. Oral Answers. Col. 1070.

Estate Duty

Mr GOUGH asked the Chancellor of the Exchequer if he is aware that moneys deposited in this country by foreign nationals resident abroad are subject to estate duty in the event of the death of the depositor, even though such death occurs outside the limits of the United Kingdom; and what consideration he has given to an amendment of the law in this matter.

Mr AMORY: In general, subject to exceptions in favour of certain Government securities and in some cases to the provisions of double tax agreements, estate duty is payable on property situated in this country, including money deposited here, regardless of the domicile or place of death of the owner. I have no proposals at present for amendment of the law on this point.

Hansard, May 17th, 1960. Oral Answers. Col. 1093.

Income Tax

Mr MCKAY asked the Chancellor of the Exchequer what is the extra annual loss of revenue due to the recent exemption from income tax of the income of single persons over 65 up to £275, and the exemption of the income of married couples, where one person is over 65, up to £440, over and above the loss arising from the ordinary personal allowances for people of all ages.

Sir E. BOYLE: The present cost of the age exemption provisions is about £4 million, of which £1 million is the cost of the associated marginal relief.

Mr MCKAY asked the Chancellor of the Exchequer what would be the loss of revenue if single persons were all exempt from income tax up to £275 and all married couples were exempted up to £440.

Sir E. BOYLE: To exempt incomes of single persons up to £275 and of married couples up to £440 leaving the tax on incomes above these limits unchanged would cost nearly £10 million.

Hansard, May 18th, 1960. Written Answers. Col. 116.

National Insurance Contributions: Tax Relief

Mr McKAY asked the Chancellor of the Exchequer the effect under the National Insurance Act, 1959, of the proposal in the Finance Bill to fix £15 as the amount on which tax relief will be given in the cases of men, whose highest band of income tax is 2s 3d, 4s 3d, 6s 3d, 7s 9d and the surtax payer paying 12s 3d in the £, respectively; and how much the tax relief amounts to per week in each case.

Sir E. BOYLE: The value of tax relief on the allowance for National Insurance contributions of £15 at the existing rates of tax is as follows:

Rate of Tax	Amount of relief			
			a year	a week
	s	d	£ s d	s d
Reduced rates ..	1	9	1 6 3	6
	4	3	3 3 9	1 2 $\frac{3}{4}$
	6	3	4 13 9	1 9 $\frac{1}{2}$
Standard rate ..	7	9	5 16 3	2 2 $\frac{1}{4}$
Income tax at 7s 9d plus surtax at 4s 6d ..	12	3	9 3 9	3 6 $\frac{1}{2}$

Hansard, May 18th, 1960. Written Answers. Col. 117.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Members' Library

The first supplement to the August 1959 edition, *Short List of Books*, has now been issued. Copies, which contain additions to March 1960, will be sent to members by the Librarian, free and post free, on receipt of an addressed label. Copies of the last edition of the *Short List* are also available.

PROFESSIONAL NOTICE

MESSRS B. FORTES & Co, Chartered Accountants (S.A.), announce that as from June 1st, their address will be Pearl Assurance House (third floor), Heeren-gracht, Foreshore, Cape Town. The telephone and P.O. box numbers and telegraphic address remain unchanged.

Appointments

Mr B. Pitcher, A.C.A., accountant and assistant secretary of Independent Newspapers Ltd, Dublin, has been co-opted a member of the board.

Mr P. G. James, B.COM., F.C.A., financial officer of London Transport Executive, has been appointed chief accountant of British Transport Commission.

Mr P. S. Lane, F.C.A., has been appointed chairman of the British Hydrological Corporation.

APPOINTMENT OF ASSISTANT OFFICIAL RECEIVER

The Board of Trade have announced that Mr James Ernest Friend, B.COM., A.S.A.A., has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Birmingham, Coventry, Dudley, Hereford, Kidderminster, Leominster, Stourbridge, Walsall, Warwick, West Bromwich, Wolverhampton and Worcester, as from May 16th, 1960.

THE ROYAL MINT IN 1959

The total number of coins struck by the Royal Mint in 1959 was 709,650,207, an increase of nearly 116 $\frac{1}{2}$ million over the corresponding figure for 1958. Some 244 million represented coin for the United Kingdom and the remaining 465 $\frac{1}{2}$ million coin for Commonwealth and foreign Governments.

The United Kingdom coins produced included 1,385,368 sovereigns which were added to the nation's gold reserve to be issued abroad if demand arose. Of those for domestic use, sixpences were again most in demand and accounted for 93,089,441 of the United Kingdom coin produced. The balance comprised 9,028,844 halfcrowns; 14,080,319 florins; 20,455,766 shillings; 26,833,600 threepences and 79,224,000 half-pennies. For the sixth year in succession no pennies were minted; over 15 $\frac{1}{2}$ million being withdrawn as surplus to requirements and for the third year in succession no farthings were minted.

Most of the cupro-nickel coin was minted to replace silver coin, of which a total face value of £4,326,050 was withdrawn through the silver recovery scheme. To achieve this figure just over £25 million of mixed silver and cupro-nickel coin was sorted. The amount by which issues of cupro-nickel exceeded the withdrawn silver was only £1.168 million compared with £1.84 million in 1958 and an average of £5.5 million over the previous five years.

Fifty-five different denominations were minted for overseas Governments including coins for the following countries: British Caribbean Territories, British Honduras, Burma, Ceylon, Fiji, Guernsey, Iceland, Iraq, the Irish Republic, Jamaica, Mauritius, Muscat, New Zealand, Nigeria, Rhodesia and Nyasaland, Seychelles and Uruguay. Of these the largest single customer was Nigeria for which country over 333 million coins were struck as part of an order for some thousand million coins required on the attainment of independence.

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WAR DAMAGE COMMISSION**Change of Address**

The Manager's office of the War Damage Commission, Government Building, Broadyard Avenue, Acton, London, W3, is being closed and from June 1st, 1960, correspondence should be addressed to the Manager, War Damage Commission, City Gate House, Finsbury Square, London, EC2.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The annual general meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute, Moorgate Place, EC2, next Tuesday, at 6 p.m.

BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS**Coventry Area Branch**

At the annual meeting of the Coventry Area Branch of the Birmingham and District Society of Chartered Accountants held recently, the following officers were elected for 1960-61:

Chairman: Mr D. H. Smale, A.C.A.

Vice-Chairman: Mr B. K. Mead, F.C.A.

Hon. Secretary: Mr R. G. Benks, A.C.A., c/o Messrs Daffern & Co, 29 Warwick Road, Coventry.

Hon. Treasurer: Mr G. F. B. Pirson, F.C.A.

Hon. Librarian: Mr D. H. Salmon, A.C.A.

Hon. Auditor: Miss D. A. Thompson, F.C.A.

MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The officers of the Manchester Chartered Accountants' Students' Society for the ensuing year were recently elected as follows:

President: Mr T. W. E. Booth, L.C.A.

Vice-President: Mr A. H. Walton, F.C.A.

Hon. Secretary and Treasurer: Mr R. C. Carr, A.C.A., 46 Fountain Street, Manchester, 2.

Hon. Librarian: Mr A. Rothbury, F.C.A.

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

The Dublin Society of Chartered Accountants has just concluded an interesting and useful season, some of the recent highlights of which were the following.

At the invitation of the Council of The Institute of Chartered Accountants in Ireland, the Society arranged a two-day seminar on 'Comptrollership'. The seminar, believed to have been the first in Britain or Ireland, was conducted by Mr Howard R. Bagwell, a Chicago management consultant attached to the European Productivity Agency. Applications were numerous, but attendance unfortunately had to be restricted to twenty-four members, who came from various branches of the profession. Mr Bagwell also addressed a general meet-

ing of members of the Society on 'Controllership, a technique of American management'.

Another meeting on the important subject of P.A.Y.E., attended by over a hundred members, was addressed by Mr J. C. Duignan, Assistant Secretary to the Revenue Commissioners.

The final event of the 1959-60 session before the Society's annual general meeting on June 21st was the annual dinner of the Industrial and Administrative Group, held in the University Club on Friday, May 6th, with Mr E. J. Carroll in the chair. The attendance exceeded sixty and included a number of visitors from Belfast who had travelled to Dublin to attend the Institute's annual meeting on May 7th. There were no formal speeches, but the chairman paid tribute to the late Mr Mervyn Bell, in whose memory a minute's silence was observed.

INSTITUTE OF ACTUARIES

The Council of the Institute of Actuaries have announced a new development in the examination syllabus for fellowship of the Institute to come into effect at the examinations to be held in May 1961.

In the Final examination, candidates are required to select a distinctive group of subjects for more advanced treatment, and hitherto the choices open to them have been, broadly, life office work, pension funds, or statistics. It will now be open to the candidate for the Final to select investment as his special subject.

The Institute has long required all candidates for the fellowship to study the principles and practice of investment, including the economic background. The new option to specialize in this subject reflects the continued growth of the number of actuaries engaged in investment work.

LOCAL GOVERNMENT SERVICES

Two statistical returns giving details of local government services relating to libraries statistics and crematoria statistics have been issued recently by The Institute of Municipal Treasurers and Accountants.¹

The second return of Libraries Statistics contains statistics for the libraries of all county boroughs for 1958-59. The booklet includes general statistics for each authority and analyses of library accounts expressed as amounts per 1,000 population. General information as to the number of branches, staff and books is also given, together with the detailed net cost of the service.

Crematoria Statistics

The third return of Crematoria Statistics contains statistics of all local authority crematorium undertakings in the United Kingdom. The return reflects

¹ *Libraries Statistics 1958-59, Crematoria Statistics 1958-59.* Each 10s 6d post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

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the growing importance of the cremation service and compared with the previous edition, nineteen additional crematoria are included and altogether details are shown for eighty-nine crematoria.

The form of statistics is similar to that of previous editions (issued for 1954-55 and 1956-57) and falls into two parts, the first containing general statistics, capital costs and fees, the second, revenue accounts of undertakings.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The sixty-first annual general meeting of the Chartered Accountants' Golfing Society was held at *The Petwood Hotel*, Woodhall Spa, on May 7th under the chairmanship of Mr J. B. Pittman, who was again elected as President.

Mr L. V. Mills was elected Captain and the retiring Vice-Presidents, Messrs. L. R. Elcombe, D. V. House and L. E. Parsons were re-elected.

The following were also elected:

Vice-Captain: Mr A. W. Coleman

Hon. Secretary and Treasurer: Mr D. V. House

Hon. Match Secretary: Mr C. I. Steen

Messrs. J. D. Green and A. D. Walker were re-elected to the committee and Messrs. H. C. Staines and H. W. Pitt were elected to fill vacancies on the committee.

Mr J. S. Hyland was reappointed Hon. Auditor.

There was an attendance of forty-two members and the leading results of the competitions played over the Woodhall Spa golf course were as follows:

CAPTAIN'S PRIZE (presented by the retiring Captain Mr H. W. Pitt)

1. A. W. Coleman (13)	.. ..	44 3/8ths	points
Wins Captain's Prize and Ernest Cooper Cup			
2. A. M. Milling (20)	.. ..	43 4/8ths	"
Wins second prize			
3. A. P. Humphries (15)	.. ..	41 1/8th	"
4. P. Wand (9)	.. ..	39 7/8ths	"
5. T. Spencer (11)	.. ..	39 5/8ths	"
6. G. L. Foulds (5)	.. ..	39 3/8ths	"
Wins scratch prize with 35 points gross			
7. G. G. Youngs (12)	.. ..	38 4/8ths	"
8. W. B. Henderson (5)	.. ..	37 3/8ths	"
9. D. W. Gibson (6)	.. ..	37 2/8ths	"

SATURDAY FOURSOMES

1. M. Green and P. Wand	.. ..	44	points
2. P. H. Blandy and H. C. Staines	.. ..	42	"
3. { C. M. Daniel and F. J. Goodall	.. ..	41	"
{ H. Lemmon and T. Spencer	.. ..	41	"

SUNDAY FOURSOMES

1. S. W. Penwill and P. H. Blandy	37 1/16th	points
2. W. D. Henderson and A. M. Milling	34 15/16ths	"
3. S. A. Letts and A. W. Coleman	34 8/16ths	"
4. D. W. Gibson and D. L. Thomas	34 5/16ths	"

THE INSTITUTE OF BOOK-KEEPERS

Speaking at the forty-fourth annual general meeting of the Institute of Book-keepers held in London on May 20th, Mr Ernest K. Gross, F.B.I., F.C.W.A., Chairman of the Institute, underlined the importance of the book-keeping function which enabled management to keep 'in touch with day-to-day fluctuation in terms of that ultimate yardstick of all business activity - money'. On the other hand, he said, it should be realized that book-keeping was not merely a matter of entering debits and credits on the correct sides of the books of account, however accurately they might do that; if they did no more, they were betraying their profession. Members of their Institute should do all in their power to further the science of management accounting.

In referring to domestic matters, Mr Gross said the Council was hopeful that the creation of study groups will result in increasing interest being taken in the Institute and district societies.

HOSPITALITY FOR COMMONWEALTH STUDENTS

The Commonwealth Students' Committee of The Victoria League will gladly welcome to the League's headquarters at 38 Chesham Place, Belgrave Square, SW1, students from Commonwealth countries who are studying in this country. On the second and fourth Saturdays of every month the League holds 'open house' parties from 3 p.m. to 6 p.m. Tea is available and among the recreations provided are table tennis, chess and television.

Students who are interested are invited to contact the Secretary of the Commonwealth Students' Committee at the above address (telephone Belgravia 2201) between 10 a.m. and 5 p.m. on weekdays, and from 10 a.m. to 12 noon on Saturdays.

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Second Thoughts

CLAUSE 26 of the Finance Bill which sought to give blanket power to the Inland Revenue to counteract tax avoidance in the field of dividend-stripping and allied activities, and which was the subject of criticism in a leading article in our issue of May 21st, was so much amended and cut about in Committee that it is virtually a new clause.

As we said on a previous occasion, the principal objection to the clause was that it gave to the Inland Revenue a discretion whether or not to use the powers given to them. Although in theory it is the Inland Revenue as a body which makes these decisions, the matter may in fact be decided by one of several hundred tax inspectors operating in different parts of the country. On the Committee stage THE ATTORNEY-GENERAL accepted Conservative back bench amendments to sub-clause (3) which go some way to meeting this criticism. Clause 26 (3), as so amended, now provides that where the clause applies to a person in respect of a transaction 'the tax advantage obtained or obtainable by him in consequence thereof shall be counteracted "by such of the various adjustments set out in the sub-clause as" the Commissioners of Inland Revenue may specify by notice in writing served on him as being requisite for counteracting the tax advantage'. Thus, in theory at any rate, the Inland Revenue have no discretion as to whether or not to proceed under the clause; their discretion is confined to the narrow field of deciding whether the correct way to defeat the avoidance is to be by assessment, refusing repayment, requiring the refund of a repayment, or varying the normal manner of computation of profit and to what extent. On all these matters the taxpayer can, of course, appeal. However, since the clause still does not oblige the taxpayer to volunteer information about transactions which may possibly be within the clause, it is still open to the criticism that in practice the option of ferreting out liability or of leaving the transaction alone is left with the local inspector. Of course there are very considerable obstacles in the way of making it a statutory duty of the taxpayer to apply clause 26 when filling up his own return. A charity may have bought shares at a reasonable market price without realizing that it was taking part in some abstruse dividend-stripping operation on the part of the vendor or some previous vendor of the shares.

The word 'directions' has been removed to give some verisimilitude to the new idea that the Inland Revenue are to have no discretion; instead they can now only issue a 'notice' specifying the counter to the alleged avoidance.

THE CHANCELLOR OF THE EXCHEQUER introduced a new sub-clause (4) which is intended to strengthen the position of the taxpayer. Under it, the Inland Revenue are not to give notice under clause 26 (3) until they have given the taxpayer notice that they have reason to believe that the clause may apply to him in respect of a transaction specified in the notice. He, on his part, will have the right to make a statutory declaration to the effect that in his opinion the clause does not apply, and setting out the facts and circumstances on which his opinion is based. He has thirty days after the first notice in which to send this declaration to the Inland Revenue, and if he does so the Inland Revenue cannot proceed without referring the statutory declaration to the new tribunal.

A new sub-clause (5) provides that if, notwithstanding the statutory declaration, the Inland Revenue see reason to take further action, they are to send it, with a certificate to that effect, to the tribunal. They can accompany these two documents with a counter-declaration. The tribunal will consider these documents (there will not be a personal hearing at this stage) and decide whether there is a *prima facie* case for proceeding. If they decide there is no *prima facie* case the powers under the clause will be at an end in relation to the transaction in question, although not in relation to other transactions, not the subject of the declaration, which include that transaction. This procedure is reminiscent of, and indeed has been borrowed from, Section 251 of the Income Tax Act, 1952, under which the taxpayer can take similar avoiding action where a surtax direction is threatened.

The composition of the tribunal itself has been amended in order to provide for the eventuality of the chairman not being available, either because of illness or because he has already advised in a professional capacity on the matter, or for some other reason. The clause now authorizes THE LORD CHANCELLOR to appoint a second person as chairman either for a specified period or in relation to a specified case.

Clause 26 (2), which sets out the circumstances in which the clause can apply (given that there has been a tax advantage as a result of a transaction in securities), has been completely recast; this in view of the many criticisms of paragraph (c) of that sub-clause. It now provides that the

circumstances in which the tax advantage must have arisen must be one of the following:

- (a) in connection with the distribution of profits of a company, or in connection with the sale or purchase of securities being a sale or purchase followed by the purchase or sale of the same or other securities, the person in question, being entitled (by reason of exemption or by setting off losses against income) to recover tax in respect of dividends received by him, receives an abnormal amount by way of dividend; or
- (b) in connection with the distribution of profits of a company or any such sale or purchase as aforesaid the person in question becomes entitled, in respect of securities held or sold by him, to a deduction in computing profits or gains by reason of the fall in value of the securities resulting from the payment of a dividend thereon or from any other dealing with any assets of a company; or
- (c) the person in question receives, in consequence of a transaction whereby any other person:
 - (i) subsequently receives, or has received, an abnormal amount by way of dividend; or
 - (ii) subsequently becomes entitled, or has become entitled, to a deduction as mentioned in paragraph (b) above or in connection with the distribution of profits of a company, a consideration which either is, or represents the value of, assets which are (or apart from anything done by the company would have been) available for distribution by way of dividend or is received in respect of future receipts of the company or is, or represents the value of, trading stock of the company, and (in any case) the said person so receives the consideration that he does not pay or bear tax on it as income.

References in the sub-clause to 'profits' are to include references to income, reserves or other assets. References to distribution include references to transfer or realization (including application in discharge of liabilities). References to the receipt of consideration include the receipt of any money or money's worth.

TAX CASE SURVEY - II

Recent Trends in Tax Decisions

by REGINALD HALL, LL.B.

THE year 1959 was a vintage one for tax decisions. Some, which have already been noted in these pages¹, may be regarded as the 'first eleven', so to speak; but there are a number of interesting 'second eleven' decisions.

Professional Expenses*Mitchell and Edon v. Ross and Others*

In reading some of the reports of the Court of Appeal and the House of Lords one is reminded of the brilliant professor of mathematics at Cambridge who spent three-quarters of a hour lecturing on most abstruse mathematics solely with the object of proving that the proposition he was stating was obvious. Problems before the Commissioners and the High Court are regarded by the tribunals concerned as presenting difficulties. Yet when the Lords are seized of the same problems they will say that the wording of the statute concerned is clear and unambiguous.

That was so in *Hinchy's* case, and a similar attitude was taken by the Master of the Rolls in *Mitchell and Edon v. Ross and Others*. This was a consolidated appeal by a number of medical consultants. It is on its way to the House of Lords, and at the moment the appellants can be regarded as taxation hybrids. They are taxed both under Schedule D and Schedule E. They practised their profession partly by taking private patients (this gave rise to the Schedule D assessment) and partly by working as hospital specialists in different parts of the country. They claimed that they should be allowed the more generous expenses afforded by the Schedule D test on all their earnings; the Revenue said that as regards their hospital earnings they were only entitled to the more restricted Schedule E scale of expenses.

The case is, of course, a decision as much on the law of master and servant as on income tax law. Were they servants at all? The taxpayers made much of the fact that they fixed their own hours of attendance at hospitals, and naturally alone made decisions on the treatment of patients. Nevertheless, Upjohn, J., at first instance, held that each specialist taxpayer had entered into a

contract of service with his hospital management committee and counted as a servant of the committee. Therefore, his hospital emoluments constituted a salary taxable under Schedule E.

With this last finding the Court of Appeal concurred, but parted company with the learned judge below when he held that it followed that the taxpayer could claim under Schedule E expenses. The Crown contended that the word 'profession' in Section 137 (a), Income Tax Act, 1952, had to be limited to that part of the taxpayer's professional activities which provided income taxable under Schedule D; only that part had the benefit of Schedule D expenses.

Lord Evershed, M.R., considered Section 137 clear and unambiguous and did not admit of the limitation contended for by the Crown where the doctor carries on a single profession. Schedule D expenses are allowed and

'none the less so because they might have been attributable to [the taxpayer's] hospital appointment and could not wholly or in part be allowed in the assessment of emoluments of that appointment under Schedule E'.

The case is going to the Lords despite the exasperated question of the Master of the Rolls, 'You wish to pursue this artificiality?' We shall see whether their lordships think this question is artificial.

Distributions Benefiting a Trade*Race-course Betting Control Board v. Young*

This was an interesting decision of the House of Lords on whether payments out of a taxpayer's income, though benefiting its trading activities, could necessarily be deductible for tax purposes. The Race-course Betting Control Board was set up by the Race-course Betting Act, 1928, to carry on the trade of running totalisators at race-courses. The Act compelled the Board to set up a totalisator fund into which it had to pay a proportion of stake money received. It was provided that after meeting taxes, rates and working expenses, and keeping in hand a reasonable reserve and also after paying moneys to charity, the Board should apply the totalisator fund in accordance with the scheme approved by the Secretary of State for

¹ 'Tax Case Survey - I: Important Tax Decisions in 1959', by E. C. Meade, F.C.A., appeared in *The Accountant* of April 16th, 1960.

purposes conducive to the improvement of horse breeding and racing.

In the year in question, the Board made these payments, all of them voluntary, out of the fund: payments to race-course owners for the improvement of courses and for increasing prize money; payments to subsidize transport costs of owners and trainers; £1 per runner for all horses actually running; contributions to administrative expenses of the Jockey Club and the National Hunt Committee, towards the cost of the race finish recording camera, and to expenses of point-to-point meetings and of Pony Turf Club meetings. The Board contended that all these payments were deductible in arriving at its profits for tax as being 'money wholly and exclusively laid out or expended for the purposes of the trade' within Section 137 (a) of the Income Tax Act, 1952.

The Lords rejected the Board's claim on the ground that the latter's trade was operating totalisators, not fostering the development of racing. The payments were not wholly and exclusively incurred for the purpose of the Board's trade. To devote receipts to the objects named, even though under statutory compulsion, was a mere means of spending money earned; the payments were not working expenses necessary to operate totalisators.

Case Not Clearly Stated

Churwen v. Sabine

This case brought out the importance of General Commissioners stating their cases in the High Court clearly; that is, for practical purposes, the professional advisers of the parties, who are always invited to make suggestions for amending a draft case stated.

The appellant here was a raincoat manufacturer, the total of whose assessment was £30,636. He contended that this sum came from winnings on horses and dogs – mostly from cash betting. There were two hearings before the Commissioners. At the first hearing the Commissioners decided that the appellant had not proved that the money had come from betting winnings. Over a year later the matter again came before the Commissioners and the appellant led further evidence. The case stated that 'the respective contentions of the parties at the earlier hearing were repeated'.

The Revenue contended that there had been a specific determination of the assessment at the earlier hearing. Roxburgh, J., did not agree and thought that the case was not stated clearly. He

required the General Commissioners to state an additional case which should set out whether or not it appeared to them that the appellant was overcharged by any assessment. The learned judge pointed out that the Commissioners were the sole judges of fact; they had ample powers and it was their duty to express the matters referred to in the stated case in language of precision and clarity.

Covenants to Charities

Taw and Torridge Festival Society Ltd v. C.I.R.

Whether tax in respect of a member's subscription to a society is recoverable by the latter was a question not made any easier to answer by the decision in *Taw and Torridge Festival Society Ltd v. C.I.R.* For tax to be recoverable, the periodical payment must be an 'annual payment' for tax purposes, payable to the society for 'charitable purposes only'; furthermore, the covenantor must personally derive no benefit from his payment. It is submitted that each case depends on its own facts (one can really say that of almost any tax case!). Perhaps the surest test is: Will the subscription or periodical payment mainly benefit the public generally or will it bring some benefit to the subscriber? Only in the former case will it be deductible.

In the *Taw and Torridge* appeal, the actual deed of covenant stated that the covenantor was to receive no benefit from the covenanted sum. But that did not avail to preserve the Society's right to recover tax on subscriptions. What weighed with Wynn-Parry, J., was that the document was headed 'Annual Subscription by Deed of Covenant' and the opening words were: 'I wish to become a member' of the society. The learned judge implied from this that the covenant was given in return for such privileges of membership as concert tickets at reduced rates. The society, therefore, gave something to the member and this took the subscription out of the category of 'annual payments' for tax purposes.

Goodwill by Instalments

C.I.R. v. Pattison and Others

That a payment is made by instalments instead of in one lump sum does not prevent the payment from being a capital outlay, was again illustrated in *C.I.R. v. Pattison and Others*. There, the respondents took a five-year lease with an option for a further five years of the premises in which they carried on their restaurant. On the same day the vendor and respondents agreed to the sale and purchase of the business for a price, to be paid by instalments, calculated at £25 per week during the

currency of a lease for five years with right to renewal thereof. There was provision for certain prepayments of the instalments to give some security to the seller.

The respondents contended that the sellers did not permanently transfer the business to them; they merely transferred use of premises temporarily for the duration of the lease together with certain business rights; therefore, the instalments fell to be deducted from the restaurant's profits for tax purposes. The Revenue contended that the instalments were paid in reduction of the price of the business and so were capital items and not deductible.

The Court of Session had no difficulty in coming down on the side of the Revenue. The weekly payments were made for the acquisition of property of a permanent character, the possession of which was a condition of carrying on the trade. The sums were not laid out as day-to-day working expenses, which are the kind that may be deducted.

Is a Trade Carried On?

Henry Briggs, Son & Co Ltd v. C.I.R.

Another problem raised by the statutory payments made by virtue of the coal nationalization legislation came up for solution in *Henry Briggs, Son & Co Ltd v. C.I.R.* The taxpayers were a parent company holding the shares in a subsidiary which carried on the business of coal-mining until nationalization in 1946. The subsidiary decided to cease all trading activities, to accept the compensation payments under the nationalization Acts and then go into liquidation. The compensation was not finally paid until 1955. In the meantime, however, the subsidiary received, under the same legislation, statutory interim payments and out of this it paid dividends to the taxpayer parent company. The latter claimed that the dividends were exempt from profits tax in that they were 'franked investment income', being income from the company – i.e. its subsidiary – which was carrying on a trade or business.

Now the subsidiary was carrying on a trade or business if it came within the terms of Section 19 (4) of the Finance Act, 1937. That it would do if the 'functions' of the subsidiary consisted 'wholly or mainly in the holding of investments'. The Court of Appeal, upholding Upjohn, J. (as he then was), held that the word 'functions' in Section 19 (4) meant activities appropriate to the company's business. At the material time the subsidiary had given up trading and business.

A test formulated by Atkinson, J., was approved.

'... Is the company holding property as an activity appropriate to its business? A company whose business is temporarily stopped by requisition does not satisfy that test; nor does one which has given up trading'.

Clearly, the subsidiary company in *Briggs's* case failed this test. Even though the interim income it received was a form of property it had ceased to trade. It exercised no 'functions' connected with its business of coal-mining and did not come within Section 19. It followed that the dividends paid to the parent company were not 'franked investment income' and so were taxable.

Adventure in the Nature of Trade

Burrell and Others v. Davis

Some real property is bought and later sold at a substantial profit: is the profit taxable? This is a question frequently put to practitioners. The answer, of course, depends on whether the deal is to be regarded as an adventure in the nature of trade or not. The decision of Harman, J. (as he then was), in *Burrell and Others v. Davis* shows once more that whether a deal is a trading one or not will turn largely on the intentions of the vendors. Here the transaction in question was a sale of a piece of land realizing a surplus of £4,000. All the five appellants became involved eventually. The land was conveyed to the first two appellants on trust for sale; they were made managing trustees but the majority of the trustees had no right to control of the trustees. Two appellants had dealt in property; the third had a tenancy of part of the land; the fourth and fifth were introduced by the first appellant because their father had engaged in property deals. The appellants put up half the purchase price and raised the rest by bank overdraft. These were what might be called the primary facts, as found by the Special Commissioners who had this point of law to determine therefore: Did these primary facts support the conclusion that a trade was carried on rather than a single non-commercial transaction?

It was a matter of inference for the Special Commissioners. Their inference was that a trade in property-dealing was carried on. The Court once again pointed out that conclusions from facts reached by General or Special Commissioners will not readily be upset. In any case the learned judge thought the right answer was given by the Special Commissioners. The appellants tried to impugn the Special Commissioners' findings on the ground that they improperly took

into account the fact that all the trustees left the deals in the hands of two of their number, who were experienced in property-dealing. But the judge thought it natural that where a number of people went into trade, they would leave the details to their colleagues who were experienced in the trade. It could also be regarded as a sign that their motives were commercial. There was evidence justifying the Commissioners' decision and the Court would not interfere.

Correctness of Assessments

Pierson v. Belcher

Where an assessment is made by Additional Commissioners, it is not for the Crown to establish its correctness; the onus of showing its incorrectness lies on the taxpayer. This long-established principle was brought out once more in *Pierson v. Belcher*. The appellant was assessed under Schedule D in substantial sums on motor dealing commissions. He had been in the car trade from 1944-45 to 1950-51. In 1949 he was asked by the Inspector to give answers to the following questions: (a) Have any transactions been omitted from or incorrectly recorded in the books of any of your companies or businesses? (b) Are the accounts you send in to the Revenue from time to time correct and complete? (c) Are all the annual taxation returns of income you have signed from time to time correct and complete? Answers had the Inspector none—although it seems that the taxpayer went successively to four different accountants.

Before the Commissioners, the appellant alleged that the considerable dealings he had were on behalf of his companies; they were not personal dealings. The General Commissioners disbelieved him and held that he had not discharged the onus of proving the assessment incorrect which laid upon him. On this Upjohn, J. (as he then was), upheld the Commissioners. Said he:

'It is perfectly clearly stated . . . that the onus is upon the appellant to show that the assessment made on him is excessive or incorrect and, of course, he had completely failed to do so.'

The Power of Statute's Words

C.I.R. v. Collco Dealings Ltd.

If the words of a statute are clear, then they must be given effect to, whatever be the side-effects of so doing. This well-established principle, applicable to taxing statutes as to all others, was, if possible, carried a stage further in *C.I.R. v.*

Collco Dealings Ltd., in the process defeating the attempt of the respondents, a company resident in Ireland, at dividend stripping. The latter had bought up the whole of the ordinary share capital of two English companies. In 1957 it received two substantial sums as dividends, wholly paid out of profits accumulated before acquisition, and paid less British income tax. The company claimed repayment of tax deducted as being an Irish person exempt from British income tax by virtue of Section 349 of the Income Tax Act, 1952, which gave Irish residents relief from British tax.

Against the company the Revenue prayed in aid Section 4 (2) of the Finance Act (No. 2), 1955, which denied exemption from tax on profits accumulated before the date of the acquisition of shares to 'a person entitled under any enactment to an exemption from income tax'. The company contended that these words were not apt to catch a person, like itself, exempted from tax by virtue of an international agreement for double taxation relief, since to hold otherwise would involve breach of a treaty with another country; in this case the treaty of April 1926 granting absolute exemption from British income tax to residents of Eire who were not residents of the United Kingdom.

Vaisey, J., rejected the company's contention. He cited with approval these words in *Maxwell on the Interpretation of Statutes*:

' . . . if the statute is unambiguous its provisions must be followed even if they are contrary to international law'.

The learned judge held that the words of Section 4 (2) were plain and unambiguous and defeated the respondent company's claim.

The Court of Appeal has upheld Vaisey, J.'s, decision.

Control of a Company

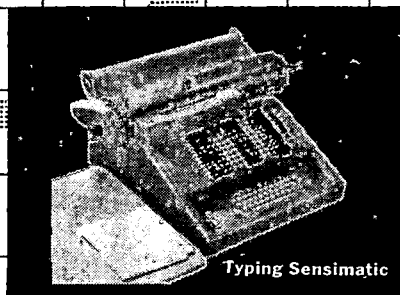
Barclays Bank Ltd (Shipside's Executor) v. C.I.R.

In this case a deceased person had held shares as trustee only; but he could vote without consulting his fellow trustees. As his shares as trustee together with his own gave him actual control, the Court of Appeal held he was caught by Section 55 (1) of the Finance Act, 1940.

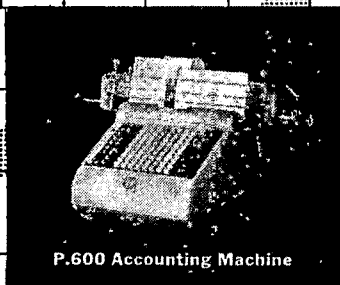
Even this second article by no means exhausts last year's tax decisions, but any reviewer of a year's decisions is like the writer of an anthology of poems. He will, one hopes, include what the majority think are the best poems, but cannot avoid omitting some that others think should also appear.



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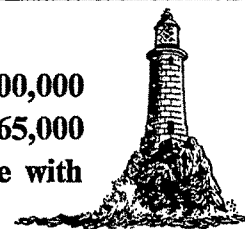
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Growth of State Pensions and their Effect on Occupational Schemes

by R. W. ABBOTT, F.I.A., A.S.A.

ROUND about 1860, John Ruskin was invited to Bradford to deliver a lecture on the subject of the new Wool Exchange then about to be built. The wool merchants wanted his advice as to the architectural style they ought to follow, believing that being an architectural expert he would be able to tell them of the latest trends and fashions. Characteristically, he told them that he didn't care a fig for their Wool Exchange. What he would do, he said, would be to discuss the beliefs and attitude of mind that produce good architecture and the beliefs and attitude of mind that produce bad architecture.

I am reminded of this episode in the life of one of my early heroes because I am credibly informed that you are agog to hear the latest news on the National Insurance Act, 1959, and the current trend in regard to contracting out of that Act.

Well, of course, that is a fascinating subject. You have no idea – or perhaps you have, if you have read the many excellent booklets on the subject put out by life offices, insurance brokers, even by consulting actuaries – what a wonderful time you could have making abstruse calculations to determine exactly how poor is the bargain offered you under the Government's graduated pension scheme. It's an actuary's holiday and an employer's nightmare. Many of the members of my profession are, at the moment, completely absorbed in the subject of contracting out and the modification of occupational pension schemes. Even our light reading is now restricted to the regulations being issued by the Minister of Pensions and National Insurance under the National Insurance Act, 1959. Have you seen the document of sixteen foolscap pages issued to explain the preliminary draft of the National Insurance (Non-participation – Assurance of Equivalent Pension Benefits) Regulations, 1960? I congratulate the Ministry on producing it, although I greatly regret its necessity.

An address to members of the London and District Society of Chartered Accountants on April 6th, 1960.

The Welfare of the Old

As I say, it is a fascinating subject and there is material for a great many lectures in it. Needless to say, those lectures are at this moment being given up and down the country by actuaries whom I greatly respect – the ratchet of whose calculating machines I am not worthy to unloose! But I find it hard to

summon up enthusiasm for the subject at this moment because it seems to me, in the last analysis, to be a diversion, a digression – a most interesting one but fundamentally unimportant. And the reason I say this is because I believe – and I said this when addressing you over five years ago – I believe that our primary aim in establishing pension schemes of one sort or another is the alleviation of poverty in old age. In this country, one of the big social concerns in the second half of the twentieth century will be the welfare of the increasing numbers of old people in the community. Their problems will not be purely, or even mainly, financial. But I think what Oscar Wilde said about riches generally, can be adapted with particular reference to old people – that, although an adequate income will not make them

happy, at least it enables them to be miserable in comfort.

We must not suppose that the material welfare of the old people in the community can be left to look after itself. We cannot, I believe, assume that the rapidly increasing prosperity of this country will carry old people along with it and that automatically they will share in the increased supply of goods and services available. At another time and on another occasion I would be prepared to argue precisely the contrary – that an affluent society is likely to contain not fewer but more tensions between various groups and classes. Even if that does not prove to be true, it still remains true that the welfare of the old has to be worked for and planned for in advance, so that their increasing numbers can be integrated happily into our society.



Mr R. W. Abbott

The Growth of State Pensions

The National Insurance Act, 1959, is an attempt to find an answer to this problem – the problem of the increasing number of old people in the community. The part the State plays in this field is vital. If we think of a pensioner's retirement income as being drawn from three possible sources, from the State, from membership of an occupational scheme and from his own savings, it is clear that the extent to which the State intervenes powerfully affects the role of occupational schemes and the savings an individual will accumulate for his own retirement. If, therefore, I am later in this lecture to talk about contracting out I must, I think, in the first place, spend some time on the first part of my title: 'The growth of State pensions' with particular reference to the recent Act.

Right at the outset I am in a difficulty. I have used the word 'growth' of State pensions as though growth is the only thing that can happen to State pensions. That seemed reasonable enough when the title of my lecture was settled. That was before the recent general election. Certainly, had the Labour Party come to power we should have had to reckon with a vast increase in State pensions. But perhaps we ought to think again in view of the results of that general election.

There are two pointers to the Government's attitude which may be significant:

- (1) In September last, scales of National Assistance were substantially increased so that now they are well above the benefits receivable as of right under the National Insurance Act. Furthermore, certain resources of the pensioner, such as the value of his house and part of any superannuation payments he may be receiving, are ignored in assessing his means. As a result, about 22 per cent of pensioner households are now receiving supplementary payments of National Assistance. As the Minister of Pensions and National Insurance said in Oxford a few months ago:

'There is nothing to be ashamed of in National Assistance. National Assistance is as much the right of everybody and it comes from the same source as family allowances and war pensions, the taxpayer. To suggest that by accepting National Assistance those who need it are demeaning themselves, or losing their self-respect, is just not the case. There is no such thing as going cap in hand to the Assistance Board.'

- (2) In the second place, I should like to quote from paragraphs (ii) and (iii) of Section 45 of the White Paper *Provision for Old Age* (Cmd. 538) which put forward the Government's proposals which have now been embodied in the recent Act. In that section the objectives of the Government are stated to be three, of which the second and third are as follows:

- (ii) to institute provision for employed persons who

cannot be covered by an appropriate occupational scheme to obtain some measure of pension related to their earnings;

- (iii) to preserve and encourage the best development of occupational pension schemes.

Social Aims of the Government

With this in mind the National Insurance Act, 1959, permits members of occupational pension schemes to contract out of the Government scheme under certain conditions. As a result, a number of employers are busily setting up their own schemes for this purpose.

If you are inclined to give any weight to these factors, you may infer that the Government's social aims are the elimination of the Beveridge principle of an adequate subsistence pension received as of right from the State and its replacement by a system of pension payments largely according to needs. On the other hand, you might reasonably argue that if the Government is truly bent on the kind of social aims I have just mentioned, the establishment of a graduated pension scheme seems to be contrary to its policy.

I think it is possible to resolve this paradox. A moment ago I quoted two of the three expressed objectives of the Government's graduated scheme. The first and foremost objective was described in the White Paper as follows:

- (i) to place the National Insurance scheme on a sound financial basis.

In plain terms this means relieving the taxpayer at the expense of the contributor; or in other words, redistributing the burden so that the highest-paid pay less and the lower-paid pay more than under the present system. But, of course, you cannot expect the lower paid, which for this purpose means those earning between £11-£15 a week to pay more unless you promise them more. Luckily, from the Government's point of view, under a pension scheme the promises will not come home to roost for some time, so that the graduated pension scheme enables extra contributions to be charged to pay for the present flat State pensions for present pensioners.

I suppose that if the first principle of the Welfare State, i.e. taxation of the community to secure a minimum subsistence standard for all, is not thought to be acceptable in the Britain of 1960, it becomes necessary to adopt a complicated system of contributions and related benefits to secure the necessary finance.

This leads us to a most interesting discovery. The scheme embodied in the National Insurance Act is not, properly speaking, a graduated pension scheme at all and it is not designed primarily to increase pension rights from the State. It is chiefly a taxation device designed to repair the mounting burden of the flat State pension scheme. It follows from this that the establishment of the scheme tells us nothing of

the Government's social aims in the field of pensions, unless it is – as Dr Alex Comfort reminded us on the radio recently – that a Government nowadays has no social aims beyond the next election. In the three hours' debate on National Insurance in the House of Commons on March 16th last, the Government spokesmen made no reference at all to the new graduated State pension scheme. So far as they are concerned it might never have been invented.

However, as Oliver Cromwell remarked on a celebrated occasion: 'No one rises so high as he who knows not whither he is going.' A vast organization is being set up by the Ministry of Pensions and National Insurance for the collection of graduated contributions and the payment of graduated pensions, and every employer who does not contract out will also be required to set up further administrative machinery. All this for a pension of not more than 10½d per week for each year of service after April 1961. On purely administrative grounds, the minute scale of graduated pensions appears indefensible. We may stumble into a universal State pension scheme on the German or Swedish model simply because of the present disparity between the administrative elephant and the tiny mouse of State benefits.

It would be unfortunate if this were to happen. If a proper graduated State pension scheme is adopted, it should be adopted as a conscious social aim of the community and not to justify an expensive administrative machine.

Contracting out of the State Scheme

Having sketched the background, I must now deal with some of the problems that are facing us under occupational schemes as a result of the National Insurance Act, 1959. I am sure it is much on your mind that there are now only 365 shopping days to 'G' Day, April 6th, 1961, the date by which you must have been presented with your leaving certificate by the Registrar of Non-participating Employments.

You will know that opinions vary greatly as to whether it is desirable to contract out of the State scheme or not. Most of the difference of opinion can be traced to one cause. As I mentioned earlier, the graduated pension scheme is primarily a taxation device designed to support the worsening finances of the present State pension scheme. By contracting out, one is therefore contracting out of taxation and taking advantage, that is, of a tax avoidance arrangement sponsored, and indeed encouraged, by the Government.

Now this complicates the question enormously. It would be relatively simple to decide whether or not to go into a State-sponsored superannuation scheme which gave reasonable value for money. It would also be relatively simple to decide whether or not to take advantage of a particular tax avoidance scheme. When, however, the two issues become one, so that by contracting out of taxation one is also contracting

out of the benefit of graduated pensions, it is extremely difficult to know what decision is right.

Moreover, the complications do not end there. I might, as an individual, be prepared to take a decision on this complex matter with some degree of confidence if the decision affected only me. Under the Act the decision is the employer's to take; but the effects of his decision will be felt, not only by him, but by all his employees. He may, indeed he ought to consult them but he can hardly hope to be able to show at the end of the day that his decision was in the best interests of all of them. And even the process of consultation with employees poses great difficulties. He will need to explain the State scheme to them and to analyse its merits. Can this be done in a way the average employee can understand, bearing in mind that it seems almost beyond the grasp of the average employer?

Principles of Contracting Out

Bearing in mind the diversity of occupational pension arrangements and the difference in the character of employer/employee relationships in different organizations, the question as to the proper course to follow must, I think, be answered in relation to the particular circumstances of individual employers. I would regard this as actuarial orthodoxy. Now it must be admitted that there are some who do not accept this approach. From my point of view they are heretics, almost, but not quite, fit for burning – 'not quite' because I do not think contracting out is important enough to go to the stake for!

There are three types of heretics. They are as follows:

- (i) the heretics who say that no one should contract out;
- (ii) the heretics who say that everyone should contract out;
- (iii) the heretics who say that those who contract out should contract out all their employees.

Let us consider the first class – those who say that no one should contract out. In much of their argument they remind one of the Fat Boy in *Pickwick* who said, you remember – 'I wants to make your flesh creep'. They regale us with horror stories of the fate that may overtake those employers who are unwise enough to contract out.

Personally, I believe it to be quite fruitless to speculate on the possible actions of future Governments towards contracted out schemes. Two practical considerations should, I think, be borne in mind:

- (1) So far as employees are concerned, there will evidently be a large number of them who will be contracted out of the State scheme. They are likely to comprise Civil Servants, staff employees of nationalized industries and other public services, and employees of many of the larger commercial and industrial organizations. Whether they will amount to less or more than

- the two and a half million employees allowed for in the Government Actuary's calculations is not yet known, but they will be a not insignificant proportion of the working population. As such, they would constitute a strong body of opposition to any proposals to worsen their position in the future.
- (2) So far as the employer is concerned, he may change his mind about contracting out at any time, so that any alterations to the present arrangements which would act to his disadvantage can be met by contracting in to the State scheme.

Another and perhaps weightier reason why some people are inalienably opposed to contracting out is that they are frightened of the administrative complications involved. There will certainly be more work to do before April 6th, 1961, if the occupational scheme is contracted out instead of being floated on top of the new State pension scheme. If I have time I will deal with some of these details towards the end of my lecture. Once the initial work has been done, however, there should not be much administrative labour apart from paying transfer values to the State or setting up frozen pensions when an employee leaves your service and you will have avoided the bother of collecting, recording and paying graduated contributions for your employees.

The Pros and Cons of Contracting Out

My second class of heretics are those who say that every employer should contract out. They are less numerous than the first class (or less vocal) and I might agree with them if the graduated pension scheme we were dealing with was a genuine pension scheme. But, as you know, it pays to contract out the higher paid or those earning over, say, £12 per week, but there is a loss in respect of the lower paid; and those earning under £11 per week males and £10 per week females would actually have to pay more to the State if they were contracted out. So if lower paid employees are contracted out, the cost of equivalent pension benefits may be greater than the increase (if any) in State contributions and if such employees leave, the cost of preserving pension benefits at the requisite State level may be heavy. There must obviously be a large number of employees for whom it would not be advantageous to contract out.

Some of the same arguments apply in connection with the third heresy, which is to the effect that employers who contract out should contract out all their employees, but the following further points need to be made. It is clearly not possible to contract out employees who are not members of the occupational pension scheme and it is rarely likely to be right to extend eligibility to cover everyone from the day they join the service of the company and irrespective of age.

On the other hand, if all employees are not contracted out, it will be necessary to set up the machinery for calculating graduated contributions for certain employees and a certain amount of the possible administrative saving will then be lost.

The one aim I would agree with would be, if possible, to contrive that the employees who are contracted out and the members of the occupational scheme are identical groups, so that those who are not contracted out are not in the employer's scheme. It might be possible to do this by amending the eligibility conditions of the scheme so that only those over a given age or with a certain length of service are permitted to be members. Alternatively, if there were relatively few employees earning under £11 per week males or £10 per week females, it might be justifiable for the employer to contract out all members of the scheme on the basis that he would pay the employee's flat State contribution and charge the employee the lower contributions payable under the new Act. In this way, the employer would gain the administrative advantage of uniformity of treatment for all members of the scheme and the employee would not be financially worse off. Many, of course, would be better off.

The Employer's Decision

Having, therefore, disposed of the heretics, how shall we put into effect the one true faith?

We might perhaps begin by asking the employer a simple question. Are you prepared to meet the additional cost of the State scheme and do you believe your employees to be willing to do the same on top of the costs already being borne under the State and the occupational scheme? So far as the employer is concerned this will mean an additional cost of perhaps 1 per cent of his payroll, rising to 2 per cent in twenty years time. For his employees, an additional contribution of not more than 3s 6d per week males, rising to 6s 6d per week in twenty years time, will be payable.

If these additional contributions can be borne, there would be much to be said for taking the line of least resistance and avoiding the bother of contracting out. Both sides would be losing the tax avoidance benefits which contracting out confers, but they would gain a quiet life at a perhaps not unreasonable price.

Many employers and many employees will not be content to shoulder the additional costs of the new State scheme. The benefits of their existing occupational scheme may well be adequate along with the flat State pension and they may not be prepared to increase their outgoings for the small graduated State pension they will receive. A choice between two methods then confronts them. The occupational scheme can either be amended to take account of the graduated State pension or the members can be contracted out and the occupational scheme can remain unchanged. Modification of the pension

scheme in a way likely to be acceptable to all employees and relatively free from complication will often not be easy and I think that many employers faced with this possibility would prefer to contract out. They may, as I have stated before, either contract out the whole membership of the occupational scheme or divide members of the scheme by sex, by age, by wage or by occupation.

I have discussed contracting out in general terms rather than in technical details, because I feel that broad considerations are likely to be more pertinent than mathematical calculations. I have even managed to avoid using the term P.I.L., which, as you know, is the barbiturate the State scheme requires to keep it healthy.

I might perhaps briefly summarize what I think most employers will do.

In most cases their decision will tend to depend on three factors:

- (i) the level of benefits under their own super-annuation scheme;
- (ii) the earnings of their employees;
- (iii) the rates of labour turnover of their employees.

In the case of 'generous contributory schemes' the employer will tend to contract out for male staff and possibly, but not always, for work-people or women.

In the case of 'generous' non-contributory schemes, the employer will tend to contract out as a better alternative than modifying the occupational scheme.

In the case of 'non-generous' schemes, the employer will be probably inclined to maintain the scheme unaltered on top of the State graduated scheme.

Administrative Problems

Whatever he does will undoubtedly make a complex subject more complex and we can envisage the following sort of dialogue between a harassed secretary and chief accountant some time after the new scheme has come in:

Secretary: I had an awful nightmare last night. I dreamed that Bill Snooks's assurance period had expired and I hadn't told the 'responsible paying authority' whether for the period of contribution liability we wanted a frozen pension or a P.I.L.

Chief Accountant: I had a worse dream than that last night. I dreamed that the Ministry accused me of following an 'abnormal pay practice' and that as a result my wife had left me. Worse than that, when John Snooks (Bill Snooks's brother) had a 'change of graduated contribution period' I thought that the 'shortest regular interval of payment', to be deemed the 'old interval', was longer than the 'shortest regular interval of payment' deemed 'the new interval', whereas the 'graduated contribution period' for 'the new interval' was 'the longer period' as defined in Regulation 7 of the National Insurance (Assessment for Graduated Contributions) Regulations 1960.

Finally, it might be helpful if I deal briefly with some of the administrative matters which need to be attended to if an employer wishes to contract out.

In the first place, you should obtain a copy of leaflet R.1 issued by the Registrar, which gives the procedure for contracting out. You should also obtain copies of the memoranda being issued by the Registrar dealing with points that are arising in the course of negotiation with employers and others.

Requirements of the Registrar

The first of these memoranda, N.P.E.1, contains a specimen rule which will be all that many funds will need to do in the way of amending in order to be eligible for contracting out. It provides that whatever provisions there are in the scheme for the surrender, commutation or assignment of pension, the equivalent pension benefits required to be paid under the Act will be protected. Of course, some employers will want other amendments so as to provide for frozen pension benefits in the scheme as an alternative to paying P.I.L.s. and possibly also power to reimburse the employer for the P.I.L. which he is due to pay on an employee leaving.

The trust deed and rules with suggested amendments should be sent to the Registrar with his questionnaire completed. At the same time, certain other documents mentioned in paragraphs 23 and 24 of leaflet R.1 should be sent. The Registrar will then state whether the employer's proposals are satisfactory and the scheme in order for contracting out.

On hearing from the Registrar, the amendments can then, subject to the consent of the Inland Revenue authorities, be adopted and after which, sent in final form to the Inland Revenue and the Registrar.

The employer must then give statutory notice to the employees of his intention to contract out and also to the trustees of the scheme or the insurance company. A suitable form of notice for this purpose is set out in memorandum N.P.E.2.

Not less than one month after giving this notice, the employer should send to the Registrar a formal election to contract out. Again a suitable form is set out in memorandum N.P.E.2.

The Registrar will then issue his certificate if everything is in order and if he has not received any representations from employees to the contrary.

A certificate cannot be dated back, so that all these formalities must be completed well before April 6th, 1961.

It is recorded that when King James I tried to read Francis Bacon's *Novum Organum* he commented that it was like the peace of God—it passeth all understanding. We cannot expect that the new Act will give us peace, but we can certainly agree that for very many it passeth all understanding.

Weekly Notes

The New President of the Institute

MR SIDNEY JOHN PEARS, F.C.A., senior partner in the firm of Cooper Brothers & Co, of London, was elected President of The Institute of Chartered Accountants in England and Wales at the meeting of the Council held on Wednesday.

Mr Pears, who is aged 59, was educated at Rugby School - where he played for the XV - and was articled with Cooper Brothers & Co in 1919 becoming a partner in 1926 and senior partner in 1954. He was admitted an Associate of the Institute in 1924 and was elected to fellowship in 1931. Elected to the Council in 1946, he is a former chairman of the Parliamentary and Law Committee and is at present a member of that committee; he is also vice-chairman of the Overseas Relations Committee and a former member of the Investigation and General Purposes Committees.

During the Second World War, Mr Pears was Director of Contracts, Ministry of Supply, from 1941-42 and Principal Controller of Costs at that Ministry from 1942-45. Since the war, he has served on a number of committees set up by the Ministry of Supply and the Ministry of Works, being vice-chairman of the Advisory Committee on R.O.F. Accounting from 1946-50, a member of a committee of inquiry into the cement industry in 1946, a member of a building working party in 1948, and a member of a committee to investigate price-fixing methods in 1956. In addition, he has undertaken numerous appointments for the Board of Trade, notably the deputy chairmanship in 1946 of a wool working party; the directorship from 1948-52 of the National Film Finance Corporation and the directorship from 1952-53 of Festival Gardens Ltd. He also served from 1953-56 as a member of an advisory committee on the Revolving Fund for Industry and as a member in 1955 of the Committee on the Exports Credits Guarantee Department.

In 1946, Mr Pears was appointed by the Treasury to undertake an investigation into building material prices and in 1952 - and again in 1957 - he advised on the Volta River project. For four years from 1956-60 he served as a member of the Inland Revenue Board of Referees and for the same period he acted as accountant adviser to the United Kingdom Atomic Energy Authority. Recently, Mr Pears was appointed by the Minister for Science as a part-time member of the Authority.

We have pleasure in including as a supplement to this issue a reproduction of a recent portrait of the new President.

The New Vice-President

THE Institute's new Vice-President is Mr P. F. Granger, F.C.A., a partner in the firm of Mellors, Basden & Mellors, Chartered Accountants, of Nottingham, where he

was articled to the late Mr T. G. Mellors, who was President of the Institute in 1924.

Educated at Oundle, where he played in the school XI and subsequently gained his county colours at hockey, Mr Granger was admitted an Associate of the Institute in 1928; after spending some years in London with Messrs Price Waterhouse & Co, he returned to his present



Mr P. F. Granger

firm, becoming a partner in 1933. He was elected to fellowship in 1938, and became a member of the Council in 1950.

Mr Granger was commissioned in the Territorial Army in February 1939; from the outbreak of war he served in England until July 1941, when he went to Baghdad as Staff Captain of his Brigade, subsequently becoming a D.A.Q.M.G. in the 10th Army and Paiforce. In 1943 he was seconded to the Public Relations Bureau, Tehran, for administrative duties, becoming an Attaché at the British Embassy and later Deputy Director of Public Relations.

By his membership of the Council of the University of Nottingham, Mr Granger continues a family association; for his father, who died in 1936, was Professor of Classics at the University College where he was also Vice-Principal for many years.

Mr Granger is a director of several companies and is interested in various charities. One of his two sons recently qualified as a chartered accountant.

Rolls 'Know-how' not Taxable

LUMP sums paid to Rolls-Royce Ltd in consideration of the supply of 'know-how' have been held by Mr Justice Pennycuik not to constitute trading receipts, and therefore to be free of tax, according to a report in *The Financial Times* last Saturday. Between 1946 and 1953 the company entered into a number of agreements with foreign Governments and foreign companies, the basic provision being that in consideration of a lump-sum payment the company would supply drawings and information to enable the other party to manufacture specified types of aero engines. The company did not initiate the proposals for the agreements; they appeared to have arisen from the policy of foreign Governments that the engines be manufactured in the Governments' own territories. Agreements were made with Govern-

ments or companies in China, France, Argentina, the United States, Belgium, Australia and Sweden. A specimen agreement mentioned by the learned judge was one with the Republic of China in 1946. By it the company licensed the Chinese to manufacture Rolls-Royce jet engines and undertook to supply drawings and technical information. The consideration was a 'capital sum' of £50,000 plus a royalty on the number of engines the Chinese manufactured. The company also undertook to advise the Chinese about improvements and modifications and to instruct Chinese personnel. The Chinese were not to sell engines or spares outside China and were to keep the drawings and information secret.

Assessments made on the company's profits, amounting to more than £15 million for the period 1948-55, were computed on the footing that the lump sums were trading receipts. The company appealed successfully to the Special Commissioners against this and the Crown appealed from that decision to the High Court. His lordship held that the vast store of knowledge and secret information constituted a fixed capital asset and therefore the lump sums received for it were not revenue receipts. He dismissed the Crown's appeals.

I.T.A. Stamp Duty Appeal Fails

THE Independent Television Authority has failed in its appeal to the House of Lords against a stamp duty assessment of £11,431, according to *The Times* of May 27th. The document in question was an agreement under seal dated May 23rd, 1955, which was to come into operation between August 15th and November 15th of that year and to continue in force until July 29th, 1964. Under it Associated-Rediffusion was to pay the Independent Television Authority a fee at the rate of £495,600 a year for two and a half years and at the rate of £536,900 thereafter. After March 31st, 1956, these figures were to vary with fluctuations in the average retail price index published by the Board of Trade.

The Inland Revenue assessed duty under sub-head (1) of the head 'Bond, covenant or instrument of any kind whatsoever being the only or principal or primary security for sums of money at stated periods' in the First Schedule to the Stamp Act, 1891. They computed duty under the first part of that sub-head on the ground that the sums were 'for a definite and certain period, so that the total amount to be ultimately payable can be ascertained', which total sum, they said, was £4,572,193. Duty on that at 5s per cent was £11,431. The Independent Television Authority contended that the correct duty was 10s, as on a deed.

Lord Radcliffe, delivering the first speech, said that the Inland Revenue contention was plainly right, and well covered by authority. No doubt the inclusion of executory contracts in the head 'Bond, covenant', etc., had created anomalies which remained unsolved, and doubt was thrown on the

standing practice of not stamping service agreements under that head. On the other hand, since agreements for the hire of labourers etc. were exempt from the 6d agreement duty, it was arguable that the head 'Bond, covenant', etc., was never meant to apply to service agreements. However, the present document was nothing like a hiring agreement of a labourer; it was a contract between two corporations. It was plain that the £495,600 per annum for the first two and a half years and the £536,900 per annum thereafter were the sums *prima facie* payable. The contingency of variation did not affect the proper *ad valorem* calculation of duty.

Directors' Institute and the Finance Bill

IN a four-page memorandum to the Chancellor of the Exchequer published last Friday, the Institute of Directors submitted new proposals on the Finance Bill. A letter from its Director-General which accompanied the memorandum said that despite the Government amendment of clause 26 the Institute is still disturbed about the blanket nature of the clause. The memorandum makes a similar criticism of that clause to the one we made in a leading article in our issue of May 21st. The Institute would like clause 18 to put beyond doubt the fact that initial losses of a long-term profit-seeking venture would be allowed. On clause 60 (assets basis valuation of shares) the Institute suggests that sub-clause (3) be deleted. Clause 60 (1) provides that the company's assets shall be valued on the footing that they can be used only for the purpose of the company's business. Sub-clause (3) provides that sub-clause (1) shall not reduce the value of the shares for estate duty purposes below whichever is the lower of

- (a) the valuation of the shares themselves on the normal market value basis; and
- (b) the Section 55 valuation made on the footing that clause 60 (1) had not been passed.

The Institute considers that the retention of clause 60 (3) will cause practical difficulties, and even injustice in some cases.

On clause 35, the 'golden handshake' clause, the Institute advocates that the *Gourley* decision be overruled in so far as it affects payments within the exemption limit, and that in compensation cases the 'spread' should be over the number of years taken into account in determining the award, without qualification. In working out the tax on the 'spread' basis, earnings from an employment entered into in place of the old one should be left out of account.

Finance Bill Changes

CLAUSE 26 of the Finance Bill, the blanket clause against tax avoidance which we criticized in a leading article in our issue of May 21st, has been very drastically amended in Committee. One of the amendments gives the taxpayer the right to the special procedure of satisfying the new tribunal by statutory declaration that there is no *prima facie*

case for a direction. We discuss these amendments in a leading article in this issue.

In clause 30, which deals with the taxation of post-cessation receipts, the definition of the earnings basis has been amended and considerably improved. Clause 30 was the subject of a leading article in our issue of May 14th.

Record Number of New Companies

THE *Companies General Annual Report* for 1959¹ issued last week by the Board of Trade, shows that there were more new companies registered last year than since records were first started in 1862. The number of companies registered in 1959 was thirty per cent more than in the preceding year and 55 per cent more than the average for the five previous years.

The total number of companies registered at December 31st was 367,959, comprised of 351,480 private companies and 16,479 public companies. The corresponding figures at the end of 1958 were 329,314 private companies and 16,360 public companies.

During the year 6,926 (7,836) companies were dissolved or struck off the registers, and winding-up proceedings were commenced in 4,117 (3,609) cases, of which 411 (417) were compulsory liquidations.

The report describes some of the more important company matters dealt with by the Board of Trade. These include the administration of the Companies Act under various provisions; appointments of inspectors to investigate the affairs of companies, and prosecutions by the Board of Trade.

T.U.C. on Company Law Reform

THE Trades Union Congress have submitted a 5,000-word memorandum to the Company Law Amendment Committee, which includes a strong plea for more explicit and more frequent information about the affairs of companies, primarily with a view to assisting trade unions in their negotiations with companies as employers. By the same token the memorandum condemns the exemption from filing accounts accorded to three-quarters of all companies, saying that many of these exempt private companies employ large staffs. The partial exemptions for banking etc. companies are also attacked.

To offset the deficiencies of a balance sheet as a historical document, the T.U.C. suggest periodical revaluations of fixed assets, the results of which to be included as notes against the balance sheet values. Notes would also show the realizable value of trade and other investments, with information of the nature of individual investments exceeding say 10 per cent of the total. The basis of stock valuation would also have to be shown. The T.U.C. argue that the published profit and loss account should include a breakdown of the main items in the trading account, distinguishing home and overseas sales, and that the number of employees ought to be shown. Where more than one enterprise is carried on, the profit

and loss account should be sectionalized accordingly (there is a corresponding suggestion about group accounts). In view of the flexibility of depreciation provisions, the T.U.C. would like the published accounts to show the Inland Revenue wear and tear figure for the same period.

In these days of mechanized accounting the T.U.C. think that the production of annual accounts could be speeded up and that public companies should be required to publish profit and loss accounts every six months, with a time lag not exceeding three months. These would not be required to be audited. On take-over bids, the memorandum would make it obligatory for all circulars to be filed with the Registrar, copies of the offer being sent to all shareholders and 'representatives of the employees'.

The memorandum regrets the decision of the Labour Government in 1947 not to require disclosure by nominees of the beneficial ownership of shares. It suggests that where, say, 10 per cent of the shares or debentures are in one ownership, the name, address, nationality and description of the true owner should be set out in a statutory declaration to be filed with the company. As to non-voting shares, the memorandum recognizes that many small investors are indifferent to voting rights, and cites in support of this the popularity of unit trusts. It suggests that these latter should make returns of the total units outstanding, the number of investors, the dividends paid, service charges, and securities held.

Donations to charities should, in the T.U.C. view, be shown in accounts, while political donations should be banned, likewise expenditure to further political objectives.

Tax Assessment by Computer

THE question of introducing an electronic computer for the calculation of P.A.Y.E. assessments in Scotland as a 'trial run' is being considered by the Board of Inland Revenue. This was revealed by Mr W. R. R. Skinner in his presidential address at the annual delegate conference of the Inland Revenue Staff Confederation at Scarborough last Tuesday. The proposal has been under study by the organization and methods section of the Revenue for some time and now specifications are being prepared for tender by computer manufacturers. If a machine could be produced to meet the necessary requirements, the project would go ahead, though this was not expected for about two years.

Scotland had been selected as it constituted a region of some two million taxpayers which was sufficiently self-contained to give the trial the best chance of success. Basic data relating to each taxpayer would be stored in the computer into which would be fed fresh information on changing circumstances - marriage, births of children, etc. - to keep the history up to date. The computer would produce notices of coding and assessment, and also check over- and under-payment of tax, issuing amended assessments if necessary.

¹ H.M.S.O. Price 1s 3d net; by post 1s 5d.

Brighter Forecast

IN its May Review the National Institute of Economic and Social Research has made a comparatively optimistical forecast for the country's economic future. The review says that the rise in imports (about which there has been a good deal of concern recently) should slow down from now on compared with the probable increase in exports. For 1960 overall, not much change in the economic climate is expected. The current balance of payments surplus is expected to worsen somewhat for the first half of this year compared with the first half of 1959 but is expected to take a turn for the better in the second half of 1960. It is expected that the surplus

for the year will, however, not be sufficient to cover the year's long-term overseas investment.

The review expects that the gold and foreign exchange reserves may go up by £50 million in the first half of this year falling back by about £100 million in the second half. It does not think that net fall of the year of £50 million need be taken too seriously in itself. There is a prospect that the United States may continue to have a considerable foreign deficit. This may reduce the risk of a loss of confidence in sterling. However, it thinks that the Government will probably take some action if by the end of 1960 there is no prospect of an improvement in the balance of payments for 1961.

This is My Life . . .

by An Industrious Accountant

CHAPTER 27

COSTING problems in practice bear little relation to the textbook examples. Last month, we decided to pull down an ancient wing of our stores – an annexe of wooden-floored stock-rooms and rickety stairways – and to build in its place a striking 'new look' structure, with enormous glass-walled display rooms, and lifts like palace chambers. By ancient custom, the deputy-chairman handles all building projects; hence the trouble.

He sent out his invitations to tender in good order, complete with voluminous blue-prints and specification lists, but the quotations proved unexpectedly complicated. Some quoted lump-sum prices; some cost plus fees; and at least three were combinations of the two systems. The deputy-chairman spent days interviewing various contractors and finally recommended a cost-plus effort to the board.

Rather to my disappointment he hadn't kept any of my accounts staff in the picture, on the debatable grounds that building quotations were essentially for the technical staff, so I didn't see the successful quotation until just before the board meeting. It was almost impossible to follow. It quoted for actual wages and salaries paid plus an 83 per cent oncost; for materials as invoiced plus a 28.6 per cent fee for sub-contractors' bills plus 7½ per cent; and then a list of assorted items like transport, insurances and incidental expenses at prime cost. The basic figures were clearly only forecasts and it seemed that only a master-mind could have arrived at a total estimate comparable with the lump-sum quotations.

The deputy chairman is far from being a mental giant when it comes to figures, but no one else could interpret the sheets of pencil notes he furnished as his base for computations.

The trouble arose this week when the contractor's invoices started to arrive in a steady flow and I promptly sent them back for more detail and for supporting vouchers. My cost accountant and I were finalizing our procedure for checking payroll against men-on-site when the deputy-chairman came in brusquely. He wanted all doubtful invoices passed to him for approval in future and seemed annoyed that we had been so tactless as to upset a reputable firm like our contractor's with our queries. He used the words 'pernickety' and 'cheese-paring'.

I felt it incumbent to make a stand and insist on the adoption of a reasonable check-system, though it was uncommonly awkward under his unfriendly stare, and at last we agreed to have our client's secretary down for a discussion with me.

He turned out to be a humorous old Welshman who chuckled hugely over the episode and produced an excellent system, his own standard one for such cases, there and then. Cross-references and supports and analyses were all available, and after establishing our procedures, at a late hour we adjourned companionably for a mixed grill. In mid-chop he nodded down the restaurant. 'There's my boss. Who's that with him, now?' 'Mine', I said.

Our contractor, a fat little man and my deputy-chairman, were doing it in style. Two enormous pink lobsters, roast duck, champagne, *crêpe suzette*, liqueurs, arrived in turn; the table was festooned with obsequious waiters.

The Welshman looked with an unfathomable eye. 'The contract provides for reasonable travelling expenses for key personnel, is it?' he said musingly. 'And your boss agreed to approve them without itemizing them, now? There is surprised you are, yes?'

The revellers wound their way out at length with my deputy-chairman clutching at the bill in half-hearted fashion and saying 'No, let me,' while his companion fended him off with a hilarious reference to oncost.

There is surprised I was. I obviously have a lot to learn about cost-plus contracts.

Reviews

Accounting Systems of Smaller Authorities

(The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1. 25s.)

This, the latest research study published by The Institute of Municipal Treasurers and Accountants, examines the accounting systems of local authorities whose populations do not exceed 40,000. The narrative comprises nearly a hundred pages, beginning with a clear statement of the objectives to be kept in mind in framing a system of personal accounts, impersonal accounts, loan and capital accounts and final accounts. Analysis by code numbers is then examined, followed by practical comments on simple recording devices and machines. Finally, attention is given to mechanical keyboard and punched-card appliances. It is refreshing to observe a persistent reference to the need to attain management data as well as accounting figures from such of the systems and techniques as are available to the small authorities. Experience shows, however, the importance of stimulating confidence in the accounting contribution to management by discussions with councillors and technical colleagues on the form and content of the data produced from the accounts.

A helpful feature throughout the book is the directions at various stages referring to earlier research studies. This is well conceived as it makes available, if needed, the knowledge contained in these earlier publications without entangling the present narrative.

A most useful epitome of the statutory requirements affecting the accounts of local authorities is contained in the first of the book's three appendices.

Altogether this is an authoritative little volume in its own sphere—helpful to the practitioner and student alike as well as being another practical addition to the civic bookshelf.

A Conspectus of Management Courses

Fourth edition of Education and Training in the Field of Management. (Sir Isaac Pitman & Sons Ltd, London. 45s.)

This admirable publication, sponsored by The British Institute of Management, appears in an up-to-date edition under a new name, but with its contents even fuller than before. It is a guide-book to the facilities afforded for management training in the United Kingdom, classifying these first of all under the heading of the individual training centres which show at a glance either the aspects covered at particular places or, alternatively, where particular courses may be found.

In the second section, fuller details are to be found of the subject-matter covered by the various courses, while the third and fourth sections deal with university and professional degrees and diplomas covering the field of management.

Principals of accountancy firms might do worse than encourage members of their staffs to tackle one or more of these courses in their own locality—or even try to find time to do so themselves! Certainly Mr Dennis Upton, who edited the new edition, is to be congratulated on a very fine publication which must be of immense value to everyone concerned in this aspect of higher education in these days of specialization.

Design of Documents

by LANCELOT HOGBEN, F.R.S., and K. W. CROSS, PH.D. (Macdonald & Evans Ltd, London. 35s.)

This book should form a most helpful introduction to anyone who wants to obtain an idea of how to simplify data for use in mechanical sorting and classification. As the authors point out, errors can occur only too easily between the original 'raw material' of statistics and its transcribed form. So much can be done in data processing by machine, that it is essential to be aware of the pitfalls for the unwary and also to realize how much preliminary reduction into relatively simple forms of record is necessary before the machine takes over.

Bearing in mind the particular needs of the statistician and the accountant, the authors examine the design of records, the choice of a code and the type of classification to be sought.

The examples used are from punched-card records of medical statistics, but it is clear that many other examples could be found of equal merit in the field of the accountant. Examples, in fact, account for roughly half the eighty pages of this book, which, in spite of its brevity, takes the reader to the heart of the problem which it examines. One word of minor criticism which might perhaps be registered is that the paper selected for printing this book could well have been of higher quality. The very clear examples so obviously demand to be matched by materials which are not merely adequate, but of the highest quality.

Retail Budgetary Control and Costing

by N. THORNTON, A.C.W.A. (Business Publications Ltd and B. T. Batsford Ltd, London. 35s.)

Anyone associated in the management of a large retail store or a retail business which is divisible either departmentally or into branches, will find in this simply-written book, which the author modestly describes as 'an introduction', a host of hints and information on the planning and operating of a system of forecasting by budgetary control and costing. It is amply illustrated by flow charts which assist the text in explaining to even the uninitiated reader not only how, but also why, he should employ these

systems; and we find Mr Thornton able to deal in passing with such matters as depreciation during periods of rising prices or the need for settling a code for classifying expenditures or departments without leaving his readers behind him.

Of particular interest to professional accountants will be the chapter entitled 'Information for management', and the stress that is laid on the need for such information to be 'significant'. This is entirely justified. Here, again, the illustrations are excellent, though it is a pity, in a work issued at this price, that the added value of colour could not have been employed in these charts.

In view of the lack of literature available on this particular subject and the relative technicality of many publications of this sort dealing with other specialized industries, one can only congratulate the author on having achieved a considerable success with this work. A good index and bibliography for the reader who wishes to pursue certain more detailed aspects of the theory underlying the text complete an excellent book.

Electronic Computers: Principles and Applications

Second edition, by T. E. IVALL. (Iliffe & Sons Ltd, London. 25s.)

This book, though extremely well written, is likely to be of limited interest to accountants, despite the claim that the average business man should be able to understand five of the fourteen chapters. The book is designed as a simple introduction to the fields of computer design and engineering techniques; and is aimed at the young engineer entering the computer world. Both analogue and digital (for commercial or scientific use) systems are dealt with. Pre-installation engineering and maintenance problems are not covered, which detracts from its appeal to the potential computer user. The book can be recommended to business men with a knowledge of radio engineering, who wish to ascertain broadly the electronic principles on which computers operate. An elementary knowledge of the laws of electricity and the principles of calculus renders most of the book understandable. Fortunately the author has excluded mathematical calculations and proofs throughout.

SHORTER NOTICE

A MANUAL OF FOREIGN EXCHANGE. By H. E. Evitt. (Sir Isaac Pitman & Sons Ltd, London. 21s net.) This is the fifth edition of a standard work intended primarily for students working for the Institute of Bankers examinations and those requiring a sound knowledge of the principles and problems of foreign exchange. It will also serve as a most useful handbook and readable guide for any professional man who is interested in foreign exchange and the international monetary scene. For those familiar with the earlier editions—the fourth appeared five years ago—this new fifth edition has been substantially revised and

covers events up to early 1959, dealing in particular with the changes in the European currency scene which took place at the end of 1958.

RECENT PUBLICATIONS

STEVENS' ELEMENTS OF MERCANTILE LAW, thirteenth edition, by John Montgomerie, B.A. lxiv+679 pp. 9×6. 21s net. Postage 2s 6d extra. Butterworth & Co (Publishers) Ltd, London.

REPORT OF PROCEEDINGS OF THE THIRTEENTH ANNUAL TAX CONFERENCE convened by the Canadian Tax Foundation at the Chateau Frontenac, Quebec City, November 19th, 20th, 21st, 1959. 294 pp. 9×6. Card covers. \$3.00 (postage prepaid). Canadian Tax Foundation, 154 University Avenue, Toronto, 1, Canada.

A ROUND OF GOLF WITH TOMMY ARMOUR. 143 pp. 9×6. 15s net. Hodder & Stoughton Ltd, London.

DYMOND ON THE DEATH DUTIES, thirteenth edition, by R. K. Johns, LL.B.(LOND.). Volume I, Text, Tables and Index. 1,088+15+cxviii pp. 10×6½; Volume II, Statutes and Statutory Instruments, 355+vi pp. 10×6½. £7s 7s per set. The Solicitors' Law Stationery Society Ltd, London.

COMPANY LAW, a new account of the principles of company law for students of law, accounting, administration and economics, by H. Goitein, M.COM., LL.D.(LOND.). 277 pp. 9×6. 25s net. The English Universities Press Ltd, London.

WORLD INSURANCE TRENDS, Proceedings of the First International Insurance Conference, Philadelphia, Pennsylvania, May 1957, edited by Davis W. Gregg and Dan M. McGill. xi+689 pp. 9½×6½. 80s net. Pennsylvania University Press. London: Oxford University Press.

THE DIRECTORY OF OPPORTUNITIES FOR SCHOOL LEAVERS 1960, with a preface by The Rt Hon. Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E. Editor, Clive Labovitch, M.A. 212 pp. 9×5½. Full bound 8s 6d net. (9s 4d post free), paper back 5s net. (5s 8d post free). Cornmarket Press Ltd, Darley House, 1 Lower James Street, London, W1.

TRADE AND ECONOMIC STRUCTURE, Models and Methods, by Richard E. Caves. Harvard Economic Studies Vol. cxv. viii+317 pp. 8½×6. 48s net. Harvard University Press, Oxford University Press, London.

THEORY OF MARKETS, by Dr Tun Thin, Professor of Economics, University of Rangoon. Harvard Economic Studies Vol. cxiv. viii+120 pp. 8½×6. 40s net. Harvard University Press, Oxford University Press, London.

ANTITRUST POLICY, An Economic and Legal Analysis, by Carl Kaysen and Donald F. Turner. xxiii+345 pp. 9½×6½. 60s net. Harvard University Press, Oxford University Press, London.

PUBLIC FINANCE IN THEORY AND PRACTICE, by A. R. Prest, M.A., PH.D. 408 pp. 9×6. 45s net. Weidenfeld & Nicolson, London.

THE BRITISH JOURNAL PHOTOGRAPHIC ALMANAC 1960, edited by Arthur J. Dalladay, A.INST.P., F.I.B.P., F.R.P.S. 620 pp. 7½×5. 8s net. (board covers); 10s net (cloth bound). Henry Greenwood & Co Ltd, 24 Wellington Street, London, WC2.

PENSION SCHEMES, by Michael Pilch, B.A., F.C.I.I., and Victor Wood, B.A., F.F.A., with a foreword by Lord Beveridge. 223 pp. 9×6. 40s net. Hutchinson & Co (Publishers) Ltd, London.

INSURANCE, Home University Library, No. 244, by Harold E. Raynes. 202 pp. 7×4½. 8s 6d net (U.K. only). Oxford University Press, London.

THE LAW OF CONTRACT, fifth edition, by G. C. Cheshire, D.C.L., F.B.A., and C. H. S. Fifoot, M.A., F.B.A. lxix+602 pp. 10×6½. 50s, postage 1s 9d extra. Butterworth & Co (Publishers) Ltd, London.

PROMOTION AND PAY FOR EXECUTIVES, by George Copeman, PH.D. 258 pp. 9×6. 35s net. Business Publications Ltd, London, in association with B. T. Batsford Ltd, London (trade distributors).

Finance and Commerce

Meticulous Accountants

THE accounts of Clapton Stadium Ltd, the company owning the greyhound racing stadiums at Clapton in north-east London and at Reading and Slough, are the subject of this week's reprint. The thirty-second annual general meeting has recently been held, which means that the company goes back to the early days of greyhound racing in this country.

One item that will catch the attention of readers is 'Directors' emoluments' stated under two heads - 'Former' and 'Present', from which it will be correctly deduced that there has been a change in the constitution of the board during the year. Mr A. J. Ray Whiteway, the chairman, who stressed in his review that the present board did not take office until late in the year, was asked at the annual meeting why the separation of the emoluments of present and former directors had been made, with an apparent implication that the board had a point to emphasize in making the distinction.

Mr Whiteway replied that the board really had nothing to do with the matter, and that the item owed the form in which it appeared to the company's 'meticulous accountants'.

Columnar Style

A NEW form of presentation has been adopted this year for the accounts of Car Mart Ltd, a name well known in the motor agency business. The company represents the British Motor Corporation and Ford's.

The balance sheets now appear in columnar style. Fixed assets (£662,745) plus current assets (£2,666,437) less current liabilities and provisions (£1,350,582) producing £1,938,600 of net group assets, representing £600,000 in issued capital, £216,177 in capital reserve, £352,400 in revenue reserve, £540,823 in profit and loss account and £229,200 for future income tax. For the detailed items, group totals and summary figures, three columns are taken for 1959. The comparison goes into a single column in green.

The columnar style has yet to 'make the grade' in company reporting, and if there is one point to be suggested in the present instance, it is that the inch or so of space at the foot of the balance sheet might be used in order to distinguish more clearly the grouping - current assets, etc. Larger print might then be used for the group headings at present

distinguished by slightly heavier type, the detail - stocks, debtors, etc. - being indented.

With practically all the narrative lined up on one margin in the balance sheet, it is very much like being presented with a solid page of print in a textbook.

New Form

MR A. V. PERRY, chairman of Clayton Dewandre Co Ltd, draws attention in his review which is printed with the accounts for the year to December 31st, 1959, to the new form which, he says, 'we hope will prove interesting and informative to our stockholders'. The improvement, it may be added, is obvious at first glance. The whole of the annual publication is better conceived: more space has been given to the layout, and the balance sheet has been converted from the previous single-column style showing assets above represented by capital, reserves and surplus below, to the more usual double-sided form. The same objective is reached by the statement of current liabilities as a deduction from current assets.

The columnar style has its advocates and, of course, a great deal depends on how the material is displayed, but the form now adopted does certainly commend itself more readily to the eye.

The company is engaged in the engineering industry with a big stake in components for the motor manufacturers. One new product from which much is expected is the 'Mot-A-Vac', an inexpensive power-assisted device for the braking of light vehicles. A substantial factor in the year's business was the removal of purchase tax on commercial vehicles, coupled with the passing of the immediate threat of re-nationalization of the road transport industry. Total output for the year was 22 per cent up and the two Lincoln factories are running at full capacity to meet the upsurge in demand.

Head Office Value

THE directors of Doulton & Co Ltd, a name associated with sanitary pipework and fittings, have this year written-up the value of the Lambeth head office but left untouched other property values. Interesting reasons are given for so doing. The value of the land and buildings comprising the Lambeth freehold has been increased by £310,000, and the item in the balance sheet now stands at £1,949,202 or £1,412,754 after provision for depreciation and obsolescence (against £1,498,701 and £1,025,055).

Mr Edward Basil Green, the chairman, makes it clear that this was no part of an attempt to revalue the group's fixed assets as a whole. He maintains that in an undertaking of this description, revaluation is lengthy and expensive and serves little useful purpose under ordinary circumstances.

In the case of Doulton House, however, there was a readily established value quite unconnected with manufacturing and it was felt that the stockholders' interests would be served by the step now taken.

1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645	
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CLAPTON STADIUM LIMITED
PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1959

1958		1958		1958		1958	
£	£	£	£	£	£	£	£
6,868	DEPRECIATION OF FIXED ASSETS	9,112	94,752	Operating Profit for the year	87,406
	DIRECTORS' EMOLUMENTS—			Dividends and Interest on Investments, Treasury Bills discount, etc—Gross	5,477
3,300	Fees	2,125	343				
12,870	Management Remuneration	7,834	2,031				
16,170		9,959	2,374				
2,100	Less Fees and Management Remuneration paid by Subsidiary Companies	8,663	2,374	Profit on Sale of Investments	4,779
14,070		11,037					
315	AUDIT FEE	315					
	EXPENSES OF Shareholders Meetings and Subsequent Investigations	..	3,810	Provisions for Increased Rates not required	1,569
	Retirement Benefit—Former Secretary	..	3,826				
3,750	Provision for Increased Rates	..	7,636				
79,853	BALANCE—Net Profit for the year subject to Taxation carried down	71,131					
£104,856		£99,231					£99,231
	PROVISION FOR TAXATION—						
3,703	Income Tax—Schedule 'A' for the Fiscal year ended 5th April, 1960	..	3,597				
3,212	Deducted from Investment Income	..	1,832				
30,400	Schedule 'D' for the Fiscal year to 5th April, 1961, based on the Profits shown by these Accounts	..	24,984				
11,350	Profits Tax for the year ended 31st December, 1959, based on the Profits shown by these Accounts	..	7,250				
48,665	Less Adjustment for previous year	37,663					
1,510							
47,155	BALANCE—Net Profit after providing for Taxation carried down	37,663					
32,698		33,468					
£79,853		£71,131					£71,131
	DIVIDENDS PAID AND PROPOSED—						
9,530	Additional on Final 1958 due to change in rate of Income Tax (7½%) Interim of 7½% less Income Tax	..	1,450	Net Profit for the year after providing for Taxation brought down	33,468
31,766	(17½%) Final of 27½% less Income Tax	..	10,152	Balance brought forward from the previous year	22,841
		..	37,221				
22,841	BALANCE carried forward per the Balance Sheet	7,486					
£54,607		£56,309					£56,309

**CLAPTON STADIUM LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET as at 31st December, 1959

1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525		1524		1523		1522		1521		1520		1519		1518		1517		1516		1515		1514		1513		1512		1511		1510		1509		1508		1507		1506		1505		1504		1503		1502		1501		1500		1499		1498		1497		1496		1495		1494		1493		1492		1491		1490		1489		1488		1487		1486		1485		1484		1483		1482		1481		1480		1479		1478		1477		1476		1475		1474		1473		1472		1471		1470		1469		1468		1467		1466		1465		1464		1463		1462		1461		1460		1459		1458		1457		1456		1455		1454		1453		1452		1451		1450		1449		1448		1447		1446		1445		1444		1443		1442		1441		1440		1439		1438		1437		1436		1435		1434		1433		1432		1431		1430		1429		1428		1427		1426		1425		1424		1423		1422		1421		1420		1419		1418		1417		1416		1415		1414		1413		1412		1411		1410		1409		1408		1407		1406		1405		1404		1403		1402		1401		1400		1399		1398		1397		1396		1395		1394		1393		1392		1391		1390		1389		1388		1387		1386		1385		1384		1383		1382		1381		1380		1379		1378		1377		1376		1375		1374		1373		1372		1371		1370		1369		1368		1367		1366		1365		1364		1363		1362		1361		1360		1359		1358		1357		1356		1355		1354		1353		1352		1351		1350		1349		1348		1347		1346		1345		1344		1343		1342		1341		1340		1339		1338		1337		1336		1335		1334		1333		1332		1331		1330		1329		1328		1327		1326		1325		1324		1323		1322		1321		1320		1319		1318		1317		1316		1315		1314		1313		1312		1311		1310		1309		1308		1307		1306		1305		1304		1303		1302		1301		1300		1299		1298		1297		1296		1295		1294		1293		1292		1291		1290		1289		1288		1287		1286		1285		1284		1283		1282		1281		1280		1279		1278		1277		1276		1275		1274		1273		1272		1271		1270		1269		1268		1267		1266		1265		1264		1263		1262		1261		1260		1259		1258		1257		1256		1255		1254		1253		1252		1251		1250		1249		1248		1247		1246		1245		1244		1243		1242		1241		1240		1239		1238		1237		1236		1235		1234		1233		1232		1231		1230		1229		1228		1227		1226		1225		1224		1223		1222		1221		1220		1219		1218		1217		1216		1215		1214		1213		1212		1211		1210		1209		1208		1207		1206		1205		1204		1203		1202		1201		1200		1199		1198		1197		1196		1195		1194		1193		1192		1191		1190		1189		1188		1187		1186		1185		1184		1183		1182		1181		1180		1179		1178		1177		1176		1175		1174		1173		1172		1171		1170		1169		1168		1167		1166		1165		1164		1163		1162		1161		1160		1159		1158		1157		1156		1155		1154		1153		1152		1151		1150		1149		1148		1147		1146		1145		1144		1143		1142		1141		1140		1139		1138		1137		1136		1135		1134		1133		1132		1131		1130		1129		1128		1127		1126		11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Photo: Dorothy Wilding, London

SIDNEY JOHN PEARS, F.C.A.

President

The Institute of Chartered Accountants in England and Wales
1960

CITY NOTES

INVESTORS have now clearly thrown dull care aside. Prompted by the return of the institutions in force to the markets, the 'small man' has come back again as a confident and almost arrogant buyer.

It has to be admitted that his buying seems justified. The company report which suggests troubles ahead is a rarity. On the contrary, practically all company chairmen of companies of standing are speaking with encouraging, if sometimes guarded, optimism.

Industrial expansion programmes are being pushed ahead. This week the Gues, Keen & Nettlefolds group, in announcing a £20 million plan for its steel works alone, has said that in the next few years capital expenditure over the organization as a whole is unlikely to fall below the £18 million level of the past two years. The company's steel expansion, it may be noted, is based on its own assessments of the likely future steel needs of its engineering interests, and particularly those concerned with the motor industry.

This kind of news is 'bull's breath' to the markets. And behind the expansion indicated by individual companies there lies the general belief in an expanding economy - a belief quite forcefully expressed in the latest National Institute Economic Review.

Meanwhile expansion and the need to fund bank borrowing is bringing increasing new issue pressure, and June bids to be a particularly busy new capital month.

RATES AND PRICES

Closing prices, Wednesday, June 1st, 1960

Tax Reserve Certificates: interest rate (May 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sep. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

Mar. 25	£4 12s	5'03d%	April 29	£4 13s	0'48d%
April 1	£4 12s	5'05d%	May 6	£4 13s	4'70d%
April 8	£4 12s	11'83d%	May 13	£4 11s	1'56d%
April 14	£4 13s	1'10d%	May 20	£4 11s	1'69d%
April 22	£4 13s	0'88d%	May 27	£4 11s	1'53d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2'80 10-11	Frankfurt	11'67 2-68
Montreal	2'76 10-11	Milan	1737 8-8
Amsterdam	10'55 1-56 1/2	Oslo	19'98 1-2
Brussels	139'61 1-62 1/2	Paris	13'72 1-8
Copenhagen	19'35 3-8	Zürich	12'08 8-8

Gilt-edged

Consols 2½%	45 7/8xd	Funding 4% 60-90	89 1/8
Consols 4%	70 3/8	Savings 2½% 64-67	83 1/8
War Loan 3½%	61 1/8	Savings 3% 55-65	90 3/8
Conversion 3½%	61 1/8	Savings 3% 60-70	80
Conversion 3½% 1969	85 1/4	Savings 3% 65-75	73 1/4
Exchequer 5½% 1966	101 1/4	Treasury 2½%	45 3/8
Funding 3% 66-68	83 1/8	Treasury 3½% 77-80	74 1/8
Funding 3% 59-69	82 1/8	Treasury 3½% 79-81	74 1/8
Funding 3½% 99-04	68 1/8	Victory 4%	94 1/8

For Students

COMPANY TAXATION

Practical Problem

Question

On December 31st, 1958, the balance sheet of A. Ltd contained a provision for current taxation as agreed of £5,240, which included the accrued provision for Schedule A tax, the net annual value being £800, and a reserve for future income tax of £7,500. The 1959-60 Schedule D, Case I, liability was subsequently agreed at £7,150.

During the year ended December 31st, 1959, the company received income from trade investments of £1,016 net; £575 being received prior to April 5th, and the balance thereafter and loan interest of £104 net, received equally on March 31st and September 30th. Debenture interest amounting to £650 gross was paid half-yearly at June 30th and December 31st together with

a preference dividend of £1,500 gross and an ordinary dividend of £2,000 gross.

Tax reserve certificates of £5,250, together with interest thereon, were surrendered in payment of the tax due under Schedule D and Schedule A on January 1st, 1959.

The profits as adjusted for income tax based on the accounts to December 31st, 1959, were £12,250, subject to capital allowances of £250.

You are required to show what should appear in the published accounts in respect of income tax for the year ended December 31st, 1959.

Method of approach

Although it is possible for the question to be answered without preparing the income tax account, it is preferable that the account be prepared neatly and submitted as a working paper to the answer. This enables the examiner to ascertain, should an error be made, whether it is an error of principle, or merely an error in calculation. Should workings not be submitted, the examiner will assume an error of principle has been made which will be heavily penalized.

The principles involved in this question are:

(i) The charge for taxation debited to profit and loss

- account should be the income tax liability on profits earned during the period covered by the accounts.

(ii) In accordance with the best accounting practice, and the recommendations of the English Institute, annual charges paid and income from investments should be shown gross in the profit and loss account, and therefore tax recouped by deduction from annual charges is deducted from the income tax calculated as in (i) and any income tax suffered by deduction on investment income is added thereto.

On the other hand, dividends paid or payable should be debited net to appropriation account, no credit being taken to income tax account for the tax deducted.

- (iii) Since Schedule A tax is chargeable on the actual year basis, it is only necessary to provide at the end of each year the tax accrued due from the preceding April 6th to the balance sheet date.
- (iv) Reserve for future income tax 1960-61. If the standard rate for 1960-61 is not known at the time of preparing the accounts we would use 7s 9d in the £. If the accounts were being prepared after the standard rate for 1960-61 is known (i.e. after the Budget) the standard rate for 1960-61 should be used.
- (v) The interest on tax reserve certificates is not subject to taxation. The interest allowed should be credited to profit and loss account and NOT used as a reduction in the taxation charge.

AUDITING Group Accounts

Question

Summarize the provisions of the Companies Act, 1948, regarding the submission to members of group accounts.

Answer

The provisions of the Companies Act, 1948, regarding the submission to members of group accounts are summarized as follows:

Generally. Where a company has subsidiary companies at the end of its financial year, accounts or statements (referred to as group accounts) dealing with the state of affairs and profit or loss of the company and the subsidiaries must be laid before the company in general meeting, together with the company's own accounts (Section 150).

Group accounts will normally comprise a consolidated balance sheet and a consolidated profit and loss account. The accounts must combine the information contained in the separate accounts of the holding company and the subsidiaries, but with such adjustments as the directors of the holding company consider necessary.

If, however, the directors of the holding company are of the opinion that it is better to modify the form of presentation in such a way that it may be more easily appreciated by the members, the group accounts may

WORKINGS

INCOME TAX ACCOUNT

1959		£	£
Jan. 1	Tax reserve certificates		5,250
	Interest thereon		75
			<u>5,325</u>
	In payment of:		
	Schedule D, Case I, 1958-59	4,985	
	Schedule A, 1958-59	340	
		<u>£5,325</u>	
	Tax deducted from:		
	Income from trade investments		
	(£1,000 at 8s 6d)	£425	
	(£720 at 7s 9d)	279	
		<u>704</u>	
	Loan in erest		
	(£90 at 8s 6d)	£38	
	(£85 at 7s 9d)	33	
		<u>71</u>	
			<u>775</u>
Dec. 31	Balance, carried forward:		
	Schedule A, 1959-60 (£600 at 7s 9d)		233
	Schedule D, Case I, 1959-60		7,150
	Schedule D, Case I, 1960-61 (£12,000 at 7s 9d)		<u>4,650</u>
			<u>£18,133</u>

Answer:

IN THE PROFIT AND LOSS ACCOUNT:

Income tax (based on the profits for the year)	£5,491
Less Over-provision previous year	<u>350</u>

£

5,491

350

£5,141

IN THE BALANCE SHEET:

Reserve for future income tax	£4,650
Current liabilities:	
Current taxation	<u>£7,383</u>

1959		£	£
Jan. 1	Balance, brought forward:		
	Provision, Schedule D, Case I, 1958-59		4,985
	Provision, Schedule A, 1958-59 (£600 at 8s 6d)		255
	Reserve, Schedule D, Case I, 1959-60		7,500
	Tax recouped from debenture interest (£650 at 7s 9d)		252
Dec. 31	Profit and Loss Appropriation Account:		
	Schedule D, Case I, 1960-61	4,650	
	Schedule A	318	
	Tax deducted from interest and dividends received	<u>775</u>	
			<u>5,743</u>
	Less Recouped from debenture interest		252
			<u>5,491</u>
	Less Over-provision of Schedule D, Case I, 1959-60		350
			<u>5,141</u>
			<u>£18,133</u>

be prepared in some other form and in particular may consist of:

- (a) consolidated accounts dealing respectively with the company and one group of subsidiaries, and with other groups of subsidiaries; or
- (b) separate accounts dealing with each of the subsidiaries; or
- (c) statement expanding the information about the subsidiaries in the company's own accounts; or
- (d) any combination of those forms (Section 151).

Circumstances in which group accounts are not required:

(a) Where the company is itself the wholly owned subsidiary of another company incorporated in Great Britain; or

(b) in cases where the directors are of the opinion that:

- (i) it is impracticable, or would be of no real value to the members, in view of the insignificant amounts involved, or would entail expense or delay out of proportion to the value to the members of the company; or
- (ii) the results would be misleading or harmful to the business of the company or to any subsidiaries; or
- (iii) the business of the holding company and that of the subsidiary are so different that they cannot

reasonably be treated as a single undertaking.

The approval of the Board of Trade is required for not dealing in group accounts with a subsidiary on the ground that the result would be harmful or on the ground of the difference between the business of the holding company and that of the subsidiary.

Where subsidiaries are not dealt with in group accounts

A statement must be annexed to the holding company's balance sheet showing:

- (a) the reasons why subsidiaries are not so dealt with; and
- (b) the net aggregate amounts, as far as they concern the holding company, of the profits, less losses, of subsidiaries for their financial years ending with or during the financial year of the holding company, and for their previous financial years since they respectively became subsidiaries of the holding company showing in each case how much of such profits, less losses, has been dealt with, and how much has not been dealt with, for the purpose of the holding company's accounts to which the statement is annexed;
- (c) any qualifications contained in the reports of the auditors of the subsidiaries in their accounts.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Membership of the Committee

Committee elections at the annual general meeting resulted in four members standing for re-election being replaced by four new members.

The new members, Messrs D. J. V. Endicott, M. Ali Khan, M. A. Line and T. G. N. Sylvan, were welcomed at the May meeting of the committee.

Letters have been sent to the four unsuccessful retiring members, Messrs Anderson, Atkinson and D. Hughes, and Miss Jaycock, expressing the committee's appreciation of the services they have rendered.

Students' Centre

A sub-committee has been set up and has begun to consider the question of a Students' Centre for the society in accordance with the resolution passed at the annual general meeting. This sub-committee will from time to time report to the main committee, which in turn will report to the society at the next annual meeting.

Students' Diaries

It has been decided that 1961 diaries will be on sale to members towards the end of this year. The diaries, which measure about 4" x 3", will carry the society's badge and initials on the cover; they will contain a number of pages of society information; street maps of London on a large scale, details of theatres and places of interest; and each week's notes can be put on a different page. They will be on sale at a competitive price at the library.

Spring Residential Course

Two hundred and thirty-four students attended the Cambridge course designed for clerks in the first stages

of their articles. For the first time two colleges were used for accommodation; the experiment was a great success. A new club has been formed for the benefit of students articulated in 1959. Known as the 'Kingsway Club' it held its first supper and general meeting on May 12th.

Social Clubs

'The Taverners', encouraged by recent successfully held events, organized a supper at the Madras Restaurant on May 5th. Attendance was limited to thirty-six, which resulted in disappointment for a number of applicants who had to be refused. After hot curries all round, the party adjourned to the nearest tavern to conclude a very pleasant evening.

The '59 Club' arranged a theatre party in April.

Library

The Society is grateful to the editor of *Taxation* who has promised that in future a free copy of that journal will be supplied to the library. Copies of a number of other publications, including *The Accountant*, *Accountancy* and *The Economist* are already available.

Sports

Mr Pardey and Mr James, the captains of association football and cricket respectively, have resigned their positions, and have been replaced by Mr A. B. Duffy and Mr P. L. Raven.

Results recently reported show that the squash team lost 3-2 to Old Paulines, and beat the Solicitors' Articled Clerks 3-2; and the soccer team in a six-a-side tournament fielded two teams, one survived to the third round, the other to the second round of the competition.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

EIGHTEENTH ANNUAL GENERAL MEETING

The eighteenth annual general meeting of the London and District Society of Chartered Accountants was held in the Oak Hall of the Institute, Moorgate Place, London, last Tuesday evening. The Chairman of the Society, Mr J. D. Russell, M.A., F.C.A., presided.

The annual report of the committee was reproduced in *The Accountant* of April 30th.

CHAIRMAN'S ADDRESS

In moving the adoption of the annual report and accounts, Mr Russell said:

The annual report of the committee for the year ended March 31st, 1960, and the audited accounts of the Society for the year 1959 were circulated with the notice convening this meeting. I hope that I have your permission to take them as read? And may I dispense with reading the auditors' report? Thank you. As you will have seen, the accounts show a satisfactory state of affairs. We have a surplus of £88 for the year but this is before charging an exceptional item of £97 spent on formation of our new branch.

The committee organized a fairly full programme of events in 1959-60, and I hope that you felt that the programme was a good one. It included five evening lectures here in the Oak Hall but, unhappily, we had to make some changes at short notice. As many of you know, Sir Halford Reddish was prevented by illness from addressing us on 'Company reports from the director's point of view'. His place was, however, most ably taken by Mr Charles Aston who gave us a very interesting talk on this subject with only a little time for preparation. Another misfortune made it necessary for Mr Harold Wincott to cancel his engagement to speak to us on 'Every man an investor'. It was only a day or two before he was due to give his address that Mr Wincott fell and hurt his leg and on this occasion we did not have time in which to find someone to take his place. I am happy to say that both Sir Halford Reddish and Mr Harold Wincott have now recovered and we look forward to hearing their views on these or similar subjects at some future time. Our other evening speakers were Mr Arthur English, who addressed us as an investment analyst, Mr E. C. Meade, who spoke to us on 'Important tax decisions of 1959', and Mr R. W. Abbott who explained the new State pension scheme.¹

¹ Mr Abbott's address is reproduced elsewhere in this issue. — Editor.

I have always felt that it is one of the more difficult responsibilities of my committee to arrange a successful programme of evening meetings. Even when we have been able to organize a first-class series of lectures there is always some anxiety concerning the size of the audience. All addresses do not have a universal appeal; in fact we try to cater for different sections of our membership. We have continued to use the Oak Hall for our evening meetings as it seems preferable to have a little overcrowding here from time to time rather than to give a lecturer the impression that he is not appreciated by asking him to speak in a large hall which cannot be filled. It has been suggested that an open invitation might be given to members of the London Students' Society to attend any of our evening lectures which they think might be useful to them in their studies. As soon as we can find suitable accommodation we shall certainly invite them to join us.

I think you will agree that our two luncheons were successful. The first one was addressed by Sir Arthur Forde, Chairman of the British Broadcasting Corporation, and the guest speaker at the second was Viscount Simon, Chairman of the Port of London Authority. We are most grateful to both of them for finding the time to speak to us so interestingly and so entertainingly.

Residential Conferences

The committee organized two residential conferences during the year. The first was a management accounting conference at Cambridge last September under the chairmanship of Mr G. B. C. Hughes. The second was a taxation conference at Eastbourne in March of this year under the chairmanship of Mr Gordon Smith. Those of you who attended these conferences will agree that they were very well run, and we are most grateful to the conference chairmen and to the speakers and the group leaders on each occasion.

Our dinner and dance this year was a much larger affair than we have had before. This event had been growing in popularity over quite a number of years even before 1959 when, for the first time, we were joined by our friends from the Incorporated Society. As a result, quite a number of members were disappointed in the ballot which had to be held last year. This year, greatly increased accommodation was arranged at *Grosvenor House* and I am glad to report that we had no difficulty in exceeding the substantial number which we had to guarantee.

After much consideration, your committee have decided not to arrange a dinner in the City this year. You will remember that at the time of our dinner at the Mansion House last October it was hoped to make that an annual event, even if the Mansion House itself was not available. When we learnt that arrangements were being made for a full Institute dinner in October 1960 we realized that there would be some



Mr J. D. Russell

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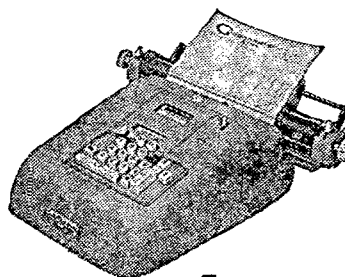
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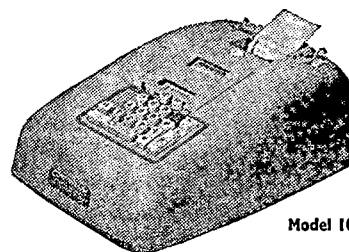
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duplication if we adhered to our original intention. I hope that it may be possible to arrange for an Institute dinner and a District Society dinner to be held in alternate years.

The Society's Organization

I see a number of new members of the London and District Society at this meeting and as this address may be read by other new members I think that it might be useful if I give an outline of the organization and activities of the London committee. At the present time the committee consists of thirty-three qualified members of the Institute. Three of them, namely, Mr Donald House, Mr Douglas Clarke and Mr James Mann, are nominees of the Council and we have a nominee, Mr Wells, from the London Students' Society. The other twenty-nine are elected members representing not only practising accountants but also qualified members in industry, commerce and agriculture, and qualified members in the service of practising accountants.

The work which we do is very varied and it has been found an advantage to divide it amongst a number of subcommittees. One of them, our Taxation and Research Committee, considers and reports to the Institute on various subjects covering a wide field of technical matters on which the Council calls from time to time for observations and opinions. There is also an advice-to-members subcommittee which gives members useful help at short notice on many subjects of difficulty. Perhaps I should mention that we do not deal with any question on which an opinion could be obtained from Counsel so members cannot expect to obtain valuable legal advice for nothing!

I should like to place on record my real appreciation of all the help which I and my committee have received during the year from Mr Appleyard, the Vice-Chairman, and Mr Best, our Honorary Treasurer. Their wide experience of many matters has been invaluable on numerous occasions. We are also much indebted to the chairmen and members of the various subcommittees for all the very useful work which they have done.

Branch and Groups

We do, of course, rely to a large extent on members in outlying parts of our territory. As you know, we now have a branch, centred on Luton, covering a large area including much of Bedfordshire, Buckinghamshire and Hertfordshire. We also have district groups at Oxford, Reading, Southend and in Jersey. Our new branch and the district groups contribute a great deal to the activities of the London and District Society and we like to have members from those areas on the London committee. We regard liaison with them as very important because it is largely through the district societies and their subsidiary bodies that the Institute maintains contact with its members throughout the country.

It is a little disappointing that more London chartered accountants do not take advantage of all the services which we provide free of charge. The membership of the London and District Society is about 6,500; and this seems quite a creditable figure as it is nearly one-fifth of the Institute's total membership of 33,000 in the whole of England and Wales. On the other hand, our membership is not much more than

half the total of chartered accountants who reside or work in our area. According to the latest estimates there are 12,000 members of the Institute in the area for which we are responsible and, even allowing for some duplication where members may live in one district and work in another, there is clearly ample scope for enlarging the membership of this Society. We do not require any entrance fee or annual subscription and I ask you all to do what you can to bring the advantages of Society membership to the notice of any London chartered accountant who you think might benefit from joining.

Another body to which I particularly wish to draw your attention is the Chartered Accountants' Benevolent Association. I do recommend anyone here who is not a regular subscriber to enter into a covenant for the benefit of the Association. I can assure you that your contributions will be put to good use.

In conclusion, Mr Russell expressed appreciation to the Secretary of the Society, Mr J. W. G. Cocke, and his staff for their work during the year, and to the Hon. Auditors, Messrs Sydenham, Snowden, Nicholson & Co.

Elections to the Committee

The report and accounts having been adopted, the results of the elections for membership of the committee were announced as follows:

Members in practice:

Mr C. J. M. Bennett, B.A., F.C.A., Mr A. P. Hughes, F.C.A., and Mr C. Romer-Lee, M.A., F.C.A., who retired by rotation were re-elected unopposed. Mr A. G. Touche, F.C.A., who retired by rotation, but did not seek re-election, was replaced by Mr D. S. Morpeth, B.COM., A.C.A., who was elected unopposed.

Member in the service of a practising accountant:

Mr L. J. Ezra, F.C.A., who retired this year was re-elected.

Members in neither of the foregoing categories:

Mr D. C. Urry, F.C.A., and Mr G. A. Slator, F.C.A., members in commerce, retired by rotation and were re-elected.

SPECIAL GENERAL MEETING

A special general meeting of members of the Society followed the annual meeting. The Chairman said:

As you will have seen from the explanatory notes appended to the notice calling this meeting, it is desired to provide for representation on the London committee of properly organized branches of the Society. This will enable our new Beds, Bucks and Herts Branch to nominate a member and if in course of time further branches are formed to look after other areas of our territory, they also will be able to appoint a representative on the London committee.

You will appreciate that there is a difference between a branch and a district group. Groups have a less formal constitution and although we are pleased to have members from their areas on the London committee, automatic representation is not really appropriate for them. We are, however, very willing to assist towards branch status any district groups which wish to set up the necessary organization. I now propose

"That Rule 7 (b) be enlarged by the addition of the words 'and one member by each Branch of the Society, the constitution of which has been approved by the Committee of the Society and the Council of the Institute'."

Mr G. F. Ansell, F.C.A., seconded the resolution which was carried unanimously.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

STATUTES (8 & 9 Eliz. 2)

Chapter 10: Consolidated Fund Act, 1960

An Act to apply certain sums out of the Consolidated Fund to the service of the years ending on the thirty-first day of March, one thousand nine hundred and sixty and one thousand nine hundred and sixty-one.

Price 3d net. March 22nd, 1960.

Chapter 11: Foreign Service Act, 1960

An Act to amend the law as to the superannuation benefits which may be granted to or in respect of certain members of Her Majesty's foreign service.

Price 4d net. March 22nd, 1960.

Chapter 12: Distress for Rates Act, 1960

An Act to consolidate, with corrections and improvements made under the Consolidation of Enactments (Procedure) Act, 1949, certain enactments relating to the recovery of rates.

Price 1s net. March 22nd, 1960.

Chapter 13: Air Corporations Act, 1960

An Act to increase the borrowing powers of the British Overseas Airways Corporation and the British European Airways Corporation.

Price 3d net. March 22nd, 1960.

Chapter 14: Cinematograph Films Act, 1960

An Act to amend the Cinematograph Films Acts, 1938 and 1948.

Price 1s net. March 22nd, 1960.

Chapter 15: Water Officers Compensation Act, 1960

An Act to amend the law relating to compensation for officers and servants of water undertakers affected by orders under the Water Act, 1945, or by combinations or orders under the Water (Scotland) Act, 1946.

Price 3d net. March 22nd, 1960.

Chapter 16: Road Traffic Act, 1960

An Act to consolidate, with corrections and improvements made under the Consolidation of Enactments (Procedure) Act, 1949, certain enactments relating to road traffic.

Price 10s 6d net. March 22nd, 1960.

Chapter 17: Coal Industry Act, 1960

An Act to authorize further advances to the National Coal Board for capital purposes.

Price 3d net. March 22nd, 1960.

Chapter 18: Local Employment Act, 1960

An Act to make provision to promote employment in localities in England, Scotland and Wales where high and persistent unemployment exists or is threatened, and to make consequential provision as respects the industrial estate companies; to amend subsection (4) of Section 14 of the Town and Country Planning Act, 1947, and subsection (4) of Section 12 of the Town and Country Planning (Scotland) Act, 1947 (industrial development certificates); and for purposes connected with the matters aforesaid.

Price 1s 3d net. March 22nd, 1960.

Chapter 19: European Free Trade Association Act, 1960

An Act to make provision for matters arising out of the establishment of the European Free Trade Association or otherwise out of agreements relating to trade made with members of the Association; and to repeal the Dyestuffs (Import Regulation) Acts, 1920 and 1934.

Price 6d net. March 22nd, 1960.

Chapter 20: Requisitioned Houses Act, 1960

An Act to enable the Minister of Housing and Local Government to extend the period for which possession of requisitioned houses may be retained by local authorities under the Requisitioned Houses and Housing (Amendment) Act, 1955, and for purposes connected therewith.

Price 4d net. March 22nd, 1960.

Chapter 21: Wages Arrestment Limitation (Amendment) (Scotland) Act, 1960

An Act to increase the amount of wages excepted from arrestment under the Wages Arrestment Limitation (Scotland) Act, 1870.

Price 3d net. March 22nd, 1960.

Chapter 22: Horticulture Act, 1960

An Act to make provision for assisting the production and marketing of horticultural produce.

Price 1s 3d net. March 22nd, 1960.

Chapter 23: First Offenders (Scotland) Act, 1960

An Act to restrict the imprisonment of first offenders in Scotland.

Price 3d net. April 13th, 1960.

Chapter 24: Pawnbrokers Act, 1960

An Act to amend the Pawnbrokers Acts, 1872 and 1922.

Price 4d net. April 13th, 1960.

Chapter 25: War Damage (Clearance Payments) Act, 1960

An Act to validate payments made by the War Damage Commission before the passing of this Act in respect of the clearance of war-damaged land, and to make further provision for such payments by the Commission.

Price 3d net.

April 13th, 1960.

Chapter 26: Iron and Steel (Financial Provisions) Act, 1960

An Act to authorize the payment out of the Consolidated Fund of loans to be made for capital purposes by the Minister of Power in pursuance of arrangements under Section 5 of the Iron and Steel Act, 1953; and for connected purposes.

Price 3d net.

April 13th, 1960.

Chapter 27: Gas Act, 1960

An Act to increase the amount which may be borrowed by the Gas Council and Area Boards under the Gas Act, 1948, and to amend that Act with respect to the

expenses of the Minister in connection with the testing of gas for compliance with standards prescribed under that Act.

Price 3d net.

April 13th, 1960.

Chapter 28: Legal Aid Act, 1960

An Act to relax the financial conditions for legal aid under Part I of the Legal Aid and Advice Act, 1949, and under the Legal Aid (Scotland) Act, 1949, by altering the limits on disposable income and disposable capital, and the maximum amount of the contribution to the legal aid fund, to make further provision for the remuneration of counsel and solicitors in connection with such legal aid or with applications for it, and to explain references in those Acts to payment and the like.

Price 4d net.

April 13th, 1960.

Chapter 29: Marriage (Enabling) Act, 1960

An Act to enable a person to marry certain kin of a former spouse.

Price 3d net.

April 13th, 1960.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS CULLEY & Co, Chartered Accountants, of 5 Bank Plain, Norwich, announce with great regret the death of their senior partner, Mr O. H. CARTER, F.C.A., on May 23rd, 1960.

Appointments

Mr A. A. Watson, F.C.A., secretary of Klinger Manufacturing Co Ltd, has been elected to the board.

Mr G. W. Ruck, F.C.A., has been appointed sub-area accountant of the Suffolk Sub-area of the Eastern Electricity Board.

Mr C. M. Williams, F.C.A., has been appointed secretary and accountant of Devon General Omnibus & Touring Co Ltd.

Mr W. G. M. Price, F.C.A., has been appointed deputy managing director of Linoleum Manufacturing Co Ltd.

Mr D. J. Kean, T.D., F.C.A., has been appointed managing director of Leadenhall Investments & Finance Ltd.

Mr S. Mann, F.C.A., has been appointed a director of Bowaters Newfoundland Pulp and Paper Mills.

Mr J. R. Vernede, F.C.A., has been appointed chairman of Vaghamon (Travancore) Tea Co Ltd.

Mr C. J. A. Cooper, F.C.A., formerly chief accountant of A.E.I.-Hotpoint Ltd, has been appointed controller of the company.

Mr K. R. H. James, A.C.A., has been appointed a joint managing director of Wolverhampton Metal Co Ltd.

Mr Graham H. Edwards, A.C.A., has been appointed a director of Manley & Regulus Ltd.

Mr A. D. Gladwin, J.P., F.A.C.C.A., formerly joint general manager of the Yorkshire Insurance Co Ltd, has been elected to the board of the company.

OBITUARY**Oscar H. Carter, F.C.A.**

It is with regret that we record the death, on May 23rd at the age of 75, of Mr Oscar H. Carter, F.C.A., senior partner in the firm of Culley & Co, Chartered Accountants, of Norwich.

Educated at King Edward VI School, Norwich, Mr Carter was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1908 and joined the firm of Culley & Co two years later. He was elected to fellowship in 1919.

A Past President of the East Anglian Society of Chartered Accountants, he served in the First World War with the Royal Army Service Corps in Egypt attaining the rank of captain.

He had an extensive interest in the affairs of Norwich and had been a member of the City Council since 1940. Mr Carter first represented the Eaton Ward as a Conservative and became an alderman four years ago. He gave valued service to the City during his office as vice-chairman of the finance committee. Among other appointments which Mr Carter held were those of vice-chairman of the Norwich Disablement Advisory Committee and War Pensions Committee and honorary secretary for the Norwich area of the Forces Help Society.

COMMITTEE ON WATER CHARGES

Mr J. Cockram, F.C.A., has been appointed a member of a subcommittee which has been formed by the Central Advisory Water Committee to review, *inter alia*, the methods of determining water charges, and to consider ways of fixing maximum charges in securing the interests of consumers.

GRADUATED PENSIONS SCHEME New Draft Regulations

Two new sets of draft regulations relating to the graduated pensions scheme, which comes into effect next April, were published last Tuesday. The draft National Insurance (Married Women) Amendment Regulations, 1960 (H.M.S.O., price 2d), make it clear that employed married women are legally liable to pay graduated contributions under the scheme in the same way as other employed persons. The other draft regulations contain 'miscellaneous provisions' concerning the new graduated contributions (H.M.S.O. 9d), and relate to the contribution liability where a person has two employments, in one of which he is 'contracted out', to the refund of contributions wrongly paid; and define the extent to which contributions not paid when due are to be counted towards pension. They also set out which contribution provisions in the regulations of the existing flat-rate scheme are to apply to graduated contributions.

Representations on these draft regulations are required to be in the hands of the secretary of The National Insurance Advisory Committee 10 John Adam Street, London, WC2, by June 28th, 1960.

TAX RESERVE CERTIFICATES

The Treasury has announced that as from May 28th, until further notice, Tax Reserve Certificates of the Eighth Series issued under the terms of the prospectus dated January 6th, 1959, will bear interest at the rate of $2\frac{1}{2}$ per cent per annum free of tax. The rate of interest on certificates of the Eighth Series subscribed before May 28th remains unchanged.

DEFENCE BONDS: CONVERSION OFFER

The Treasury has announced that a conversion offer will be made to holders of $2\frac{1}{2}$ per cent Defence Bonds purchased between October 1st, 1950, and January 31st, 1951, and maturing between October 1st, 1960, and January 31st, 1961, of which £820,000 are outstanding.

These holders will be invited to exchange their holdings into 5 per cent Defence Bonds (Conversion Issue) on the tenth anniversary of the date of purchase. Holders who accept the offer of conversion will be paid interest at $2\frac{1}{2}$ per cent per annum for the period from October 1st, 1960, to the date of exchange, and at 5 per cent per annum from the date of exchange; the maturity premium of £1 per cent will be paid on the date of exchange together with the final interest payment at $2\frac{1}{2}$ per cent. The first payment of interest at 5 per cent per annum on those bonds converted will be made on April 1st, 1961. Acceptance of the offer of conversion will not involve any break in the holders' encashment rights. If the offer is not accepted, interest on the maturing bonds will cease on the tenth anniversary of the date of purchase.

The terms of the new conversion issue bonds will be the same as those of the 5 per cent Defence Bonds currently on sale, except that interest will be payable on April 1st and October 1st. The full conversion terms will be given in the prospectus and notice which will be issued to individual holders on June 25th, 1960, together with forms of request for conversion, and forms of authority for repayment for the use of holders who do not accept the conversion offer. The list of acceptances of the conversion offer will be closed on August 5th, 1960.

IN PARLIAMENT Decimal System

Mrs SLATER asked the Chancellor of the Exchequer what consideration he has given to the joint report of the British Association for the Advancement of Science and the Association of British Chambers of Commerce on the conversion of coinage to the decimal system.

Mr AMORY: I am studying this interesting report but have no statement to make at present.

Mrs SLATER: Does the Chancellor not think that in view of the very large number of reports which have been issued on this subject over the years and of some of the statements made in the Hodgson Report on Weights and Measures Legislation in 1951 at least some steps might be taken towards consulting the Commonwealth on this problem which will have to be faced in the near future?

Mr AMORY: It is a problem of great importance in the long term, and therefore I think that the Government would welcome most strongly an expression of public opinion on the whole matter.

Hansard, May 24th, 1960. Oral Answers. Col. 193.

ACCOUNTING CONFERENCE IN BERLIN

'Management problems as seen by the accountant in practice', is the theme of a two-day conference to be held in Berlin next Thursday and Friday by the Institut der Wirtschaftsprüfer.

Leading members of the profession in Germany are to speak on aspects of administrative organization, finance, marketing and production as they affect practising accountants. The conference programme includes, among the social functions, a banquet and ball at the *Berlin Hilton Hotel*, bus tours of the two zones of the city, as well as visits to museums and theatres. There will be a special reception on Thursday evening for guests from abroad. From the United Kingdom there will be Mr S. J. Pears, F.C.A., President of The Institute of Chartered Accountants in England and Wales, with Mr A. S. McIver, C.B.E., M.C., B.A., Secretary of the Institute; Mr Alexander McKellar, C.A., President of the Scottish Institute, with the Secretary, Mr E. V. McDougall; Mr J. E. Harris, B.COM., F.A.C.C.A., and Mr G. L. Barker, F.A.C.C.A., the President and Vice-President of The Association of Certified and Corporate Accountants.

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**SOUTH EASTERN SOCIETY OF
CHARTERED ACCOUNTANTS**

Mr G. W. Davies, F.C.A., a partner in the firm of Edmonds & Co, Chartered Accountants, of Eastbourne, was recently elected President of the South Eastern Society of Chartered Accountants for 1960-61.



Mr G. W. Davies

Educated at Hastings Grammar School, Mr Davies served his articles with Messrs Gibbons & Mitchell, Chartered Accountants, of Hastings, and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1940. He became a partner in his present firm in 1947 and was elected to fellowship in 1956.

Mr Davies spent six years on active service (1940-46), the early part of which was with the London Irish Rifles and later with the Royal Army Ordnance Corps, in which he was commissioned, attaining the rank of major.

A member of the Regional Taxation and Research Committee from 1953 and of the Committee of the District Society since 1955, Mr Davies was also Vice-Chairman of the Sussex Chartered Accountant Students' Society from 1954-58 and Chairman from 1958-60.

Other officers elected for the ensuing year are as follows:

Vice-Presidents: Mr A. S. Watson, F.C.A., Mr A. D. Langridge, F.C.A.

Hon. Treasurer: Mr John H. Mitchener, F.C.A.

Hon. Secretary: Mr W. R. McBrien, F.C.A., c/o Gibbons & Mitchell, 7-8 Wellington Square, Hastings.

**THE INSTITUTE OF MUNICIPAL
TREASURERS AND ACCOUNTANTS**

The *Membership and Constitution, 1960*, of The Institute of Municipal Treasurers and Accountants, now published, shows that membership at January 1st, 1960, numbered 5,203 in addition to 313 honorary members and fellows. Comparative figures for January 1958 are 4,891 and 315 respectively.

The total membership comprises 755 Fellows, 2,385 Associates, and 2,063 students, of whom 192 are with public authorities, and 46 are overseas, the majority of members being with counties, county boroughs, non-county boroughs and urban districts.

Topographical and alphabetical lists of members and students are contained in the publication, together with an index to authorities and information about the constitution of the Institute.

**MANCHESTER SOCIETY OF CHARTERED
ACCOUNTANTS**

The seventy-ninth annual report of the committee of the Manchester Society of Chartered Accountants records that membership at the year-end numbered 1,583.

Besides a series of evening lectures, monthly luncheon meetings were held throughout the year; guest speakers addressed six of the meetings, the others being purely social events. The joint tuition committee composed of members of the Manchester senior and students' societies, together with representatives of the North Lancashire and Bolton branches, continued to arrange Saturday morning lectures for students in Manchester and Preston, as well as the highly successful residential courses at Burton Manor, Burton-in-Wirral, in March and September.

The Society's annual dinner took place at *The Midland Hotel* in November and was attended by 391 members and guests, while two informal sherry parties were held in May and September to which invitations were extended to recently-qualified members.

An inaugural meeting of the Society's discussion group was held in November and a second meeting took place later in the month when the subject for discussion was 'Stock valuation for tax purposes'.

A new hall, adjoining the Society's administrative offices, with accommodation for 120 people was formerly opened by the President of the Society in May 1959. Equipped with a platform and an adjoining private ante-room the hall is a valuable acquisition for the Society's activities.

During the year there was a further slight increase in membership of the North Lancashire branch which now stands at 405. A new sub-branch was formed in the Kendal district with a membership of ten, while the Bolton branch at the year-end increased its total membership to ninety-six.

**LONDON AND DISTRICT SOCIETY OF
CHARTERED ACCOUNTANTS****Beds, Bucks and Herts Branch**

At the annual general meeting of the Beds, Bucks and Herts Branch of the London and District Society of Chartered Accountants held at Dunstable on May 23rd, the following officers and members of the committee were elected for 1960-61:

Chairman: Mr J. B. Pincock, F.C.A.

Vice-Chairman: Mr J. L. Dickinson, F.C.A.

Hon. Secretary: Mr E. J. Frary, F.C.A., 26 Victoria Street, Luton, Beds.

Hon. Treasurer and Asst. Secretary: Mr A. J. Philpott, B.A., A.C.A.

Hon. Auditor: Mr E. G. Squires, A.C.A.

Committee: Messrs P. J. L. Case, J. R. Ellis, T. R. Keens, T. B. Loxley, R. J. Parker, T. A. Parry, R. F. Waterfall, R. E. Wright.

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Annual General Meeting

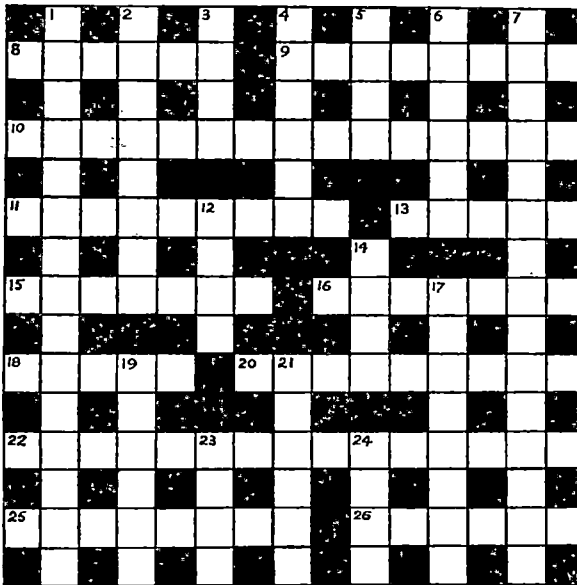
At the annual general meeting of the Income Tax Payers' Society, held last Tuesday in London, Mr Geoffrey Stevens, F.C.A., M.P., Chairman of the Executive Committee of the Society, expressed great satisfaction at the increasing intake of new members. Higher subscription rates introduced in July 1958 had inevitably been followed by some resignations, but the improved financial conditions and membership were very encouraging. The Society was, of course, disappointed that the Chancellor of the Exchequer had not been able to accept their recommendation of a reduced standard rate of income tax, but Mr Stevens admitted that by April, when the Budget was introduced, conditions had changed since January, when the recommendations had been sub-

mitted. He felt, however, that certain of the Society's recommendations might have been accepted at small cost.

Sir Edward Boyle, Bt., M.P., Financial Secretary to the Treasury, speaking after the acceptance of the report of the Executive Committee, said he believed that, in the circumstances prevailing at the time, the Chancellor was right to take no risk. He referred to Parliamentary control of Government expenditure through scrutiny of estimates, and expressed satisfaction that a debate on the Consolidation Fund Bill was forced, instead of allowing its passing 'on the nod'. Referring to social legislation, Sir Edward said it was natural to be idealist in reform, social improvement and all that makes for a more attractive quality of life; the task is to achieve this objective in the social field and avoid being an overtaxed nation as a result.

ACCOUNTANTS' CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



ACROSS

8. Witness at a trial (6).
9. Thus remunerated, give the lad a rise (8).
10. Wall Street, possibly (7, 8).
11. Institution that gives one confidence (4, 5).
13. Epithet for tin-miner's rent or Government paper (5).

15. Legal representatives in council (7).
16. So to reclassify a superannuation scheme member is no disgrace (7).
18. Released as shown in obscure letters (5).
20. The amount of any assessment under Schedule A on lands ——— of the farm-house and other buildings . . . (Section 99, Income Tax Act, 1952) (9).
22. Descriptive of traders who have successfully found a market, though suggesting that bankruptcy proceedings are imminent (9, 6).
25. A right to use someone else's land (8).
26. Issue from the merger of estates (6).

DOWN

1. Chief law officer: he acts for the Queen in the Duchy of Lancaster (8, 7).
2. Legally alienated from an undershirt, indeed! (8).
3. He doesn't intend to keep his shares (4).
4. . . . the Commissioners acting for the division may ——— him as though he had been resident there . . . (Section 26, Income Tax Act, 1952) (6).
5. Company with little weight coming up, but it might be of sterling character (4).
6. On the railway each brings the contract to an end (6).
7. Being mean, eight evade wager somehow (8, 7).
12. . . . a tenant at ——— rent under a parole demise . . . (Section 89, Income Tax Act, 1952) (4).
14. A lease always contains this authentication (4).
17. Remainders concerning silicon subscriptions (8).
19. Over 21 it is 0.1222 approximately (6).
21. See 19 (6).
23. Is it true and fair? (4).
24. All this is let (4).

The solution will appear in next week's issue.

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Penalties New Look — I

PART III of the Finance Bill, consisting of clauses 41 to 58, constitutes, with the Fifth Schedule, a new code for the recovery of back duty and the imposition of penalties in relation to income tax. It deals entirely with civil matters; the existing criminal code is unaffected. However, Revenue prosecutions, although they usually attract a good deal of attention, are comparatively rare. They fall into two categories; false claims for relief for non-existent wives or children where the facts are simple and guilty intent easy to prove, and particularly flagrant cases of false accounts and returns where the civil penalties, astronomical as they were, were not considered to be bad enough punishment, and sufficient evidence was available to make conviction practically certain. There is unlikely to be much change of practice in this field, except possibly a slight increase in prosecutions.

A public inquiry into penalty provisions would have been useful and would probably have taken place but for the course taken by the proceedings in *C.I.R. v. Hinchy* (37 A.T.C. 357; 38 A.T.C. 197). MR HINCHY's success in the High Court and the Court of Appeal seriously interfered with the Inland Revenue's work on the recovery of back duty. Back duty collected in the year ended March 31st, 1959, was barely £18 million, as against some £21½ million in the previous year, and the great majority of the fall was in penalties proper. It is very likely that the fall was continued and accentuated in the year 1959-60, for the House of Lords' decision in favour of the Inland Revenue (reversing the decision in the Court of Appeal) was not announced until February 18th. No doubt the decision to reform the law in the current Finance Bill was taken before then. Moreover, even though the Inland Revenue won in the end, the publicity thrown on the chaos and unfairness of the existing provisions made reform all the more urgent.

Initiating the debate on Part III in the House of Commons on May 26th, THE ATTORNEY-GENERAL said that the confused and illogical provisions would go. One or two minor penalty provisions only would stay in their original form. The yardstick for penalties would be the tax underpaid, not the total tax chargeable for the year. Again, an end would be put to the Court's inability to mitigate the statutory penalty; the maximum would no longer be also the minimum. Penalties would no longer be used for the purposes of recovering underpaid tax or interest on it; there would be separate provisions for that purpose. This means the end of the well-known practice of the Inland Revenue of pointing out to a taxpayer the maximum sum which could be recovered from him, and then inviting him to make an offer, within that maximum, of a lump

sum made up of tax lost, interest, and something extra as a punishment, known in the jargon as 'penalty loading'. This was usually some percentage of the tax lost, which THE ATTORNEY-GENERAL put at between 50 and 75 per cent, although, of course, higher and lower percentages than these were not unknown.

Under the new code, the Inland Revenue will have ample powers of recovering tax lost, and also 3 per cent interest on it, without having recourse to penalty sections. This will greatly facilitate their task, for the general rule in income tax assessment is that the onus of proof is on the taxpayer, whereas in penalty proceedings it has been on the Inland Revenue. However, the new penalty provisions are couched in such a form that the burden of proof lying on the Revenue is much reduced. On the other hand, the new maximum penalties are much lower; in general, where there is fraud the penalty is £50 and twice the underpayment; where there is mere neglect, the penalty is £50 and the amount of the underpayment.

Clause 42 requires every person chargeable to income tax for any year to give notice of the fact to the Inspector within twelve months after the end of that year, unless of course he has made a return. If he is chargeable only to surtax, as in the case of a person whose income is confined to taxed dividends, he may give the notice to the Special Commissioners instead. If he fails, without reasonable excuse, to give a notice required by the clause, he will incur a penalty not exceeding £100. This clause replaces Section 18 of the Income Tax Act, 1952, which requires notice to be given before the end of the income tax year and imposes a penalty of £20 and treble the tax chargeable. As originally drafted, clause 42 imposed a penalty of only £50, but the Government agreed to double it. As to what would amount to a 'reasonable excuse', the dicta of WYNN-PARRY, J., in *Barney v. Pybus* (36 A.T.C. 14), are of interest. There, an illiterate scrap-iron dealer who, having once paid tax, did not give notice in subsequent years, was held not merely to have no reasonable excuse, but to have committed 'fraud or wilful default'.

Clause 43 is to serve as a lever to force people to make returns, declarations, or similar statements which they have been lawfully required to make pursuant to the Income Tax Acts. The

various matters to which it can apply are set out in the first, second and third columns of the Fifth Schedule. The first column deals with returns of one's own income, returns of income of an incapacitated person, partnership income returns, and returns in connection with claims for separate assessment. If a person is required to make a return or furnish particulars, and he fails to do so without reasonable excuse within the time laid down (or such further time as the authorities may allow) he incurs a penalty. In the ordinary way the penalty will not exceed £50 in the first instance but if the failure continues after the penalty has been awarded by the Court or Commissioners, there will be a further penalty not exceeding £10 for every day for which the failure continues after the first penalty has been awarded.

In column 1 cases, where the failure causes delay in collecting the full tax, clause 43 (2) makes provision for increased penalties based on the amount of tax uncollected. The sub-clause provides that if the failure continues after the end of the tax year following the year in which the notice requiring the return was served, then an addition is to be made to the normal £50 maximum. This addition is the tax with which the person is charged in assessments which:

- (a) are based wholly or partly on income which ought to have been shown in the return in question; and
- (b) are made after the end of the tax year following that in which the notice was served.

These assessments will not necessarily be all for the same year. Thus, a person having income assessable under Case I of Schedule D and under Schedule E, may have to show, in the same return, income assessable in different years. There is provision in sub-clause (3) for cutting down this maximum where the person has suffered P.A.Y.E. deductions in excess of the amount charged on him by Schedule E assessment; the excess is for this purpose to be set off against the tax charged in any Schedule E assessment subsequently made on him for that year. This seems to be only a clumsy way of saying that the P.A.Y.E. tax deducted will be treated as though it was already assessed in the year of deduction.

(To be continued.)

HOW TO CONTROL COSTS - VI

Credit Control

by R. G. H. NELSON, F.C.A., A.C.W.A.

Processing a Customer's Order

WHEN a manufacturing or warehousing organization receives an order from a customer, it will be concerned to convert that order into a final invoice and so into cash income as quickly as possible; because it is only when the customer pays his account that the profit on the transaction becomes available for use. A full order book might indeed be useful in assisting the company to obtain loan capital, but to borrow money is an uneconomical substitute for earning it.

Dependent on the nature of the business, delay in processing the customer's order might occur at one or more of the following stages:

- (a) between receipt of the order and its activation, in the sense of commencement of manufacture or selection from stock;
- (b) between activation of the order and dispatch of the goods to the customer;
- (c) between dispatch of the goods and the submission of an invoice;
- (d) between submission of the invoice and collection of the debt.

The interpretation of these stages in terms of jobbing manufacture, flow production and a warehousing organization, respectively, is shown in Fig. 1.

The industrial accountant should take a positive interest in minimizing delay at every stage. The nature of the action he can take is reviewed in the following paragraphs.

Procurement and Scheduling

The sales organization should keep a record of the date and reference of all orders received from customers, together with either the selling price or the estimated cost of sale if available.

Where the goods required are available in stock, the sales function will probably be responsible for issuing instructions to the warehouse for selecting and dispatching the quantities ordered; and they will then note the date and reference

of the relative instructions against the orders concerned.

If a manufacturing operation is involved, it will depend on their organizational functions whether the sales function arrange availability of the necessary materials and then issue instructions to the works; or whether the order is released to a planning or works function for procurement and scheduling.

The date and reference of the work release or work order, as appropriate, will be noted in the register of customers' orders. At any time, therefore, the sales organization should be able to produce a statement of orders not yet activated, showing the delay that has occurred and the reasons for that delay. The planning function similarly should keep records enabling them to give details of work released to them but not yet loaded on to the shop floor.

These statements from the selling and planning functions will undoubtedly be required as part of a monthly or other periodical report to top management, and the chief accountant will also require access to them for the purpose of his cash forecast (dealt with in an earlier article in this series¹).

If the chief accountant is responsible for consolidating all top management reports he will have authority to press for action where there is delay in processing an order. In the more usual circumstances, where each management function reports direct to a general manager, the chief accountant will have to rely on the propagation of information regarding the financial effects of delay and on his powers of persuasion, to importune the departments responsible for delay.

Credit Conditions

No customer's order should be accepted officially without a clear definition of the terms of payment, either specifically for the particular customer or order concerned, or generally in relation to the firm's conditions of sale or the accepted commercial practice in the industry or trade.

It is usually best not to rely on accepted practice, but to state the firm's credit conditions either on the note of acceptance, or, when the formality of acceptance is considered unnecessary,

Previous articles in this series were: I - 'Collecting budget information', *The Accountant*, October 3rd, 1959; II - 'Cash forecasting and working capital position', October 17th, 1959; III - 'Control of capital expenditure', November 28th, 1959; IV - 'Productive labour costing', December 26th, 1959; V - 'Productive materials control', March 26th, 1960.

¹ *The Accountant*, October 17th, 1959.

PROCESSING A CUSTOMER'S ORDER

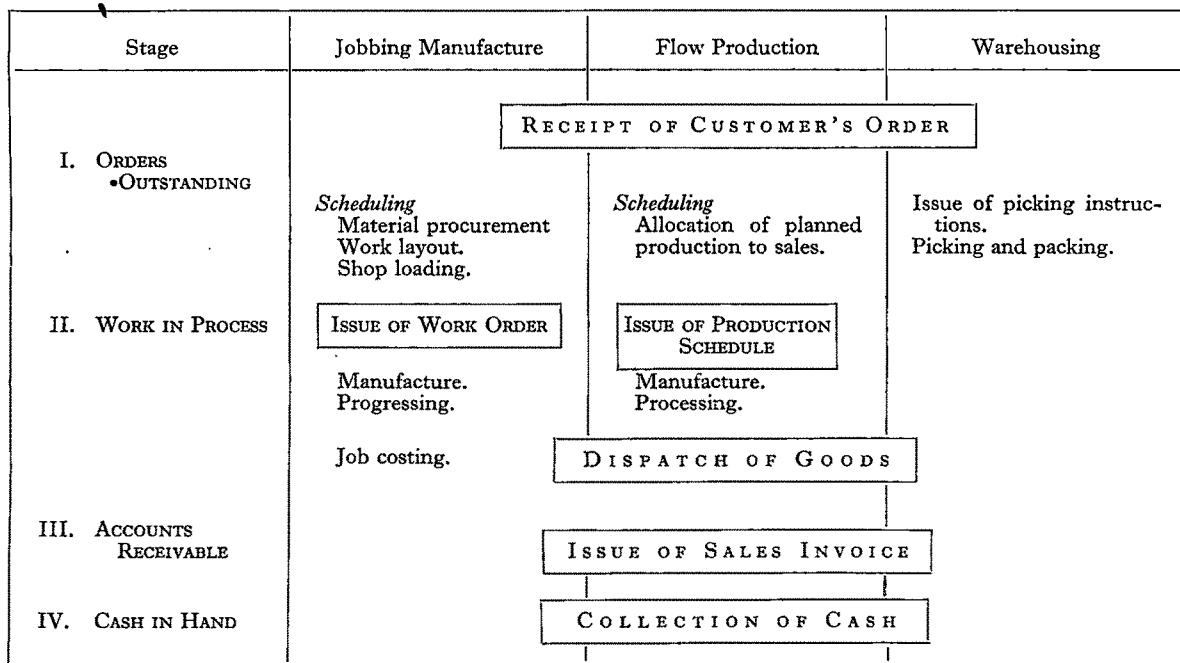


Fig. 1

on the sales invoice. These conditions must be reasonably in accordance with current usage if they are to be enforced without dispute, and if they are to be of any value for the forecasting of cash receipts. One cannot be certain, for example, of collecting within 'fifteen days of invoice date' if the customer is in the habit of paying all his bills on the first day of each month. Payment 'in the same month as date of invoice', which is seen occasionally, is unlikely to guarantee immediate payment of an invoice issued on the last day of a month.

Payment within a specified time of receipt by the customer of the goods or the invoice will certainly cause less minor irritations to the customer than a payment date linked to the date on an invoice which may be delayed in transit; but the supplier will have to recognize the loophole left for disputes about the exact date of arrival of the goods or documents. Where delivery is made direct to the customer by the supplier, however, a dated acknowledgement of receipt of the goods will normally be available immediately.

Credit Status

At some stage, either before an order is accepted, or before the work is put in hand, or before the goods are released for dispatch, the customer's credit status must be confirmed by the chief accountant's department.

In the case of special orders which would have a reduced sales value if not taken up by the original customer, it is particularly necessary to check the customer's status before performing any work or undertaking any procurement commitments.

The chief accountant must have a clear understanding with the selling, productive and distributive functions regarding the conditions under which they must refer to him for concurrence before proceeding with any order.

The status of a new customer will be established either through a commercial inquiry bureau, or by banker's reference, or through personal recommendation. Personal contacts with other operators in the same trade often yield guidance as to the credit standing of the customer.

Where the customer is a registered company, the chief accountant should consider the desirability of examining the latest returns on the files of the Companies Registration Department.

The *Board of Trade Gazette*, which the accounts department will be scrutinizing for bankruptcies, liquidations and deeds of arrangement in connection with debt collection, may be used also as a negative check on credit status. The result of all these investigations will be a credit grading expressed in terms of the outstanding balance to be permitted to the customer at any time. This balance may be confined to invoiced amounts, or may cover all orders placed.

Information as to credit status is obviously confidential, and it may be desirable to conceal the money expression of credit ratings by the use of alphabetical or other symbols, the significance of which will be known only to those officials needing to make use of the information.

Where there is any doubt as to a customer's status, the chief accountant may require prepayment, or such guarantee of payment as is provided by a confirmed bank credit. The amount of prepayment may extend to an agreed selling price, or may cover only the outgoings to which the supplying company will be committed in carrying out the order, or may be a lesser amount sufficient to confirm the resources available to the customer and as earnest of his intention to complete the transaction.

Details of the methods of financing export transactions and of the exchange control formalities involved, would require more extensive treatment than is possible in this article.

Relaxation of Credit Sanctions

The enforcement of credit restrictions and credit conditions must always be subject to the general policy of the company with regard to customer relationship. It is possible that the enterprise needs the customer's trade even more than the customer requires the services of any particular supplier.

In some circumstances also it is possible that credit risks taken by the supplier will result in establishing in the long run a firm and satisfactory trading relationship with particular customers.

The company may decide to forgo the opportunities of profit that prompt collection of debts would make available; it may decide to carry an enhanced risk of bad debts by waiving credit status formalities, or it may decide to incur the cost of insurance against bad debts.

These are decisions, however, which the chief accountant should not normally take on his own responsibility, and if they are taken he should ensure that their effect is reported clearly to higher management from time to time, and is also included in any cost basis used in establishing selling prices.

Work in Progress

From the reports mentioned above, under 'Procurement and scheduling', the chief accountant will know the date that work was commenced on an order. For the purpose of cash forecasting he will have required an estimate of the completion date. Through his works accountant or cost

accounting function he will watch the physical progress of the work, and periodically he will require a breakdown of the book value of work in progress, showing the amount expended to date on high value orders and an estimate of the further amounts to be expended until completion. If the work extends beyond one cash budget period, such a report should be required at each period end.

This information will indicate not only any necessary adjustments to the cash forecast, but also any possible revisions to selling price and the consequent adequacy of the customer's credit status.

Where work appears to be falling behind schedule it is possible that the progressing function is at fault, or that lack of liaison between departments has resulted in loss of urgency. The chief accountant's department, through its overriding financial interest in the work, may be able to exercise informal liaison in such cases.

Before the completed work is dispatched, it may be desirable for the dispatching department to refer back to the chief accountant to ensure that the selling price of the goods will not bring the customer's account above his credit rating. Where work has been carried out on the customer's materials, the accounts department should have the opportunity of exercising any available right of lien at this stage in respect of any overdue receivables.

Sales Invoicing

When a selling price has been fixed in advance, no delay should occur between the dispatch of goods and the issue of an invoice. The advice or consignment note and the invoice may, indeed, be combined in one document.

When the selling price is to be determined by reference to the cost of production, however, there may be some delay after the work of the factory is complete while the costs are being assembled and the selling price computed.

The accounts department should minimize this delay by (a) ensuring that advice of completion of work, or of dispatch of the goods, is passed immediately to the costing function; and (b) arranging for costs to be assembled cumulatively during the course of work, so far as possible.

Where costs of all production are planned for completion on a given day each month, the chief accountant must use his discretion in deciding whether the magnitude of any particular item justifies upsetting the routine of cost collection so as to obtain an advance cost for that item. It may

be found that certain costs (particularly for bought-out items) have not become available by the date the final cost summary is required. In such a case, also, discretion must be used in determining whether sufficiently reliable estimates can be made to justify a final billing; or alternatively whether a provisional, interim, or part cost invoice would be acceptable by the customer, on the understanding that a supplementary invoice or credit note would be issued later.

In some cases the customer will require some detailed support information for the invoice. The preparation of this can be expedited by collecting costs in similar detail.

When standard costs are available of such a nature that any variances would be due normally to losses and inefficiencies for which the company

itself should bear responsibility, then it may be possible to use a build-up of standard costs as the basis of the selling price.

Whatever the basis of invoicing, the accounts department should be satisfied that the items invoiced correspond exactly to those physically dispatched, and the chief accountant should ensure that manufacturing and dispatching routines are organized to ensure the correct reporting of physical facts.

Debt Collection

A schedule of receivable balances, analysed so as to facilitate cash forecasting and the control of collections, is illustrated at Fig. 2.

This schedule would normally be prepared each month by the sales ledger department from

ANALYSIS OF SUNDRY DEBTORS AS AT MARCH 31ST, 1959

ACCOUNT	TOTAL	CONTRAS	ANTICIPATED MONTH OF COLLECTION							NOTES
			APRIL 1959				MAY	JUNE	DE-FERRED	
			Invoiced MARCH	Invoiced FEB.	Invoiced JAN.	Invoiced 1958				
B6. John Brown	£ 370	£ —	£ 365	£	£	£	£	£	£ 5	Goods on invoice 765 lost in transit
B9. Beason Ltd	1,446	1,259	187							Contra with Beason (Plastics) Co
C4. Clifford & Sons	224		176	48						February invoices under query, now settled
C17. L. B. Cowen	47					47				June 1958 account Judgment obtained March 5th, 1959
F5. Frisky Foods	140						140			Invoiced March 31st, 1959
F6. Fairweather Co	29								29	Untraced. May be bad debt
L91. Lawrie Ltd	1,264		557	398	299	10				Paid £1,000 on account Decem- ber 1958, pro- mised £1,000 for March 1959. Covered by guar- antee Sir J. L. Lawrie
P4. A. C. Pebody	63					21	21	21		Paying by instal- ments.
S10. S.L.A.M.	1,798			1,798						Cheque promised for March 28th, 1959, but one signatory was abroad

Fig. 2

their ledger balances and from files of correspondence with customers. A copy is retained by the chief accountant who follows up non-routine collections by reference to daily reports of cash receipts or inquiry from the ledger department, and who might intervene himself when the normal system of reminders emanating from the ledger department appeared ineffective or inappropriate.

The schedule analyses the debts by anticipated month of collection. If necessary the analysis could be subdivided by weeks or other periods. The particular accounts noted on the illustration are all of an exceptional nature, and there would be many others which had been invoiced in March and collectible in April under a normal routine. These would probably be included in the list, partly as a matter of interest for the chief accountant, and partly to ensure, by summarization, that all debtor accounts had been dealt with.

AGE ANALYSIS OF ACCOUNT
CLIFFORD AND SONS

Month of Invoice	Amount outstanding
From 1959	£212 9 3 £112 9 3
1958 January	£176 3 11
February	£185 2 9 £48 3 7
March	£187 8 6

Running the Smaller Office

5 — FIXING STAFF SALARIES

by An O. & M. ADVISER

TO find out how your own salary scales for clerical staff compare with others in the district, it is well worth doing a little quiet investigation and also comparing your scales with those published every two years by the Office Management Association. It is late in the day to find out that your scales are too low when your staff start leaving. (It has to be stated that the O.M.A. surveys do not cover articulated clerks or professionally qualified staff, nor in general is this article intended to apply to those categories of staff.)

Previous articles in this series appeared in the issues of April 23rd and 30th, May 21st and 27th.

It might be decided, however, to include such routine balances as one total only on the final summary, and this would be particularly easy if the work were done by computer. Under a handwritten system, the individual routine balances could, of course, be entered on a separate schedule.

Under such a system, the analysis of accounts by month of invoice can be facilitated by a memorandum 'box' record kept in the margin of the ledger sheet, as shown in previous column.

Statements and Reminders

The form of reminder to be used for overdue accounts, the number of reminders and the use of legal sanctions, will depend primarily on the nature of the business. In general, a duplicated form of demand has little impact on a determined debtor, since he regards it as evidence merely that a ledger clerk is following a routine. An individual letter, although more expensive, will probably produce quicker results. Intermediate between these alternatives is a statement of account with red ink or a red label on it.

The use generally of statements of account is also dependent on the type of trade. Unless frequent queries are likely, payment against invoice can reasonably be required. Any offset of creditor against debtor accounts should be authorized in each case by the chief accountant or credit controller.

A competitive range of basic salaries is, however, not the only objective in salary policy. Salary levels may get out of phase within your own organization owing to the way in which the firm has developed or due to a series of *ad hoc* decisions. If this has occurred and you have several departments and several dozen clerks it may be worth carrying out a job evaluation exercise. It is rarely worth the time and trouble, however, if an office is really small; here one's general knowledge about conditions and the work that people do can usually suffice for bringing salaries into line.

Job Evaluation

In the not-so-small office, job evaluation can be exceedingly useful. Before undertaking it, advise the staff what is going to happen, set up a strong committee to do the job for they will require persistence and patience, and be resigned to the task taking a long time. Brief your committee with the available literature on the subject.

Job evaluation consists of analysing each job according to certain headings, giving each head-

ing a number of points on a scale. The points for each job should then be added up and the 'scatter' observed; the object is to find guides for grouping jobs for grading and salary payments. A study of the results of the marking can be extremely illuminating in regard to degrees of responsibility in different jobs and the money paid for doing them. Remember, however, that in this sort of exercise it is usually impossible to downgrade anyone and pay him less, therefore you have to contemplate a substantial upgrading of others in order to establish new differentials between jobs or grades of jobs.

Some job evaluation point systems are very elaborate. But they need not be so. The aim should be to get eight or ten headings for the pointing committee to work on. Here are nine headings which can be used under certain circumstances; they are intended as a guide only, for each organization will require to have its own system of weighting.

Experience	3 to 20	Initiative	0 to 10
Education	3 ,, 12	Neatness	0 ,, 10
Complexity	3 ,, 15	Co-operation	
Responsibility		(with other departments)	0 ,, 6
(includes cash or confidential information)	0 ,, 12	Vision (in sense of eye strain or accuracy)	1 ,, 5
Supervision	0 ,, 10		

So much for the grouping of jobs into grades. The next problem is to establish a system of progressive payments for individual members of the staff. How quickly should anyone pass through different salary levels on the way to his particular ceiling?

There are three elements in wage increases. First, the rate which other people pay; secondly, there is the question of age; and thirdly, merit. It is rarely possible these days to pay entirely on merit, although merit can still be the major factor in promotion payments. The most difficult problem is the question of age. How quickly should the young clerk pass from low to higher salary levels where he will be less tempted to go elsewhere? As stated at the beginning of this article we are not here considering articulated clerks and others who may have an incentive to stay where they are until they have reached a certain level of qualification, although the desirability of having a salary scale for such staff should not be ignored.

There is no easy formula for solving this difficulty. One way round it is to have, say, two or three 'streams' of clerks, each stream related to different levels of ability and each on different salary increments. In such cases the A stream advances to a fixed level more rapidly than B, and

so on. Some offices can get over the problem by paying sizeable bonuses as a proportion of profits in the good years, and since good years in such cases are usually the years of full employment when the labour market favours the seller, this often is the answer. But it is not open to all offices for reasons of professional arrangement or the nature of the work to adopt this method.

Merit Rating

It usually helps, however, to have systematic annual reviews of salaries. This shows that the firm is concerned to review remuneration regularly and save staff the embarrassment of asking for more, and it keeps the initiative with the management who will get more credit for granting an increase of their own volition than if an employee has to ask for it before he gets it.

All systematic reviews are forms of merit rating no matter how crude. In some cases a concern may wish to go over to a fully-fledged merit rating scheme. If this should be so, the following points should be borne in mind.

The staff should be informed. Explain how a merit rating system works, that there are safeguards against anyone being misjudged, and that there is a simple machinery of appeal against any assessment.

A merit rating scheme works similarly to a job evaluation scheme but this time it is the man and not the job that is being given a points assessment. Here, as before, the object is to set up a series of headings giving so many points for each. The clerk is then assessed under each heading, his points added up and these are related to a money scale on the basis of so many points for so many pounds. It can be used for fixing basic wages or for bonus or salary increments. The relation of the points to the money value can be determined in advance by the management so that the scheme follows a preconceived pattern. From the management angle this is one of its advantages.

Certain aspects have to be carefully watched. For instance, there should be different rating sheets for different clerks; an office boy, for example, cannot be rated on the same basis as the managing clerk. Nor should there be several rating scales for salary grades which are close together. The effect on a man's rating of his promotion to a grade where a different set of headings are used should be watched. This can be a penalizing device if grades are very close together. Useful literature on both job evaluation and merit rating is available from the British Institute of Management.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

UNITED STATES

Generally Accepted Accounting Principles

WRITING in a recent issue of *The Journal of Accountancy*, Mr George R. Catlett, C.P.A., asked how progress could ever be made if accounting practices may never be put into effect until they were 'generally accepted'. The fact that the public accountant must take exception in his opinion on the financial statements, where a practice is not generally accepted, is the first obstacle encountered by a management which wishes to make accounting improvements. In the United States, unlike the United Kingdom, the professional accountant is bound to qualify his opinion as in the case of price-level depreciation, even though he approves of the practice.

As an example of varying practices which may each be generally accepted, Mr Catlett cited pension costs, in regard to which the American Institute has taken no definite position and practice may range from 'pay-as-you-go' to full provision for current service costs over the employment period. Thus accountants are giving clean opinions where a wide diversity of practice exists. The standard is 'generally accepted' not 'sound' accounting principles, and general acceptance has not always reflected soundness. The real test, said Mr Catlett, should be fairness of presentation rather than general acceptability, and he would have the profession change the emphasis accordingly. He hoped that the new Accounting Principles Board of the American Institute would assume leadership on behalf of the accounting profession in the determination of sound accounting principles, a responsibility never assumed, on an overall basis, by the profession.

Examination in Professional Ethics

AN examination in professional ethics is now required of Florida C.P.A. candidates. Mr H. M. Turnburke, in an address to the 1959 meeting of the Association of C.P.A. examiners, is reported in *The New York Certified Public Accountant* for March as saying that the first experimental examination was held in May 1959 because so many of the younger C.P.As. were among the disciplinary cases for violating the Florida rules of professional ethics. The examination was completed by candidates at home and submitted with their applications to sit for the C.P.A. examination. Ninety papers were received and marked, with completely unanticipated results: 38 per cent answered one or more of ten questions incorrectly or incompletely several applicants saw

no violation of ethics where a C.P.A. accepted a commission for business given in connection with purchases for clients; and another saw no objection to accepting a fee of 3 per cent of working capital as indicated by a balance sheet audit. Individual letters were sent giving the correct answers to questions missed.

Though Florida is one of three States that require a four-year degree with accounting specialization as a prerequisite to admission to the C.P.A. examination, one-third of the examination papers were said to contain misspellings of simple words, e.g., 'services', 'appear', 'deside', 'submitt', 'opinion'. The test is likely to be retained for the future.

Tax Allocation and Public Utility Rates

THE Long Island Lighting Company has filed with the New York Public Service Commission a proposed reduction of \$1.2 million in electric rates. This results from a decision by the Commission by which the company will no longer charge against profits the tax saving effected by claiming accelerated depreciation for income tax purposes.

The company's action here is the exact opposite to that of the Bell Telephone Company of Canada last year, when it decided to pay tax calculated on the basis of the actual depreciation charged in the accounts, since the Government refused to allow it to charge against profits, for rate making purposes, the tax saving resulting from a higher depreciation claim.

Outmoded Tax Depreciation Policies

IT is reported that the Senate Small Business Committee has accused outmoded tax depreciation policies of stifling United States economic growth. The Committee would have new policies prohibiting early disposal of assets for the advantage of capital gains, and calls for a review of all practical proposals for shortening depreciation periods, permitting greater depreciation in the early life of property and reflecting inflation.

GERMANY

Auditing Mechanized Systems

NOT only do mechanized accounting systems entail the development of new auditing methods, the audit of punched-card installations and of electronic data processing systems are quite different and must be treated as separate subjects.

An article on this topic in *Die Wirtschaftsprüfung* recently, declared that an examination both of the underlying organizational concepts and the internal control system is indispensable in both cases, and the differences in detail are of great importance. In a computer-controlled system many operations can be programmed in parallel and carried out simultaneously, whereas with punched cards they are effected in sequence.

In a punched-card system, the tasks must be clearly written up and illustrated by means of organization and flow charts, which an independent observer can analyse and follow without great difficulty; they also provide the auditor with a reliable source of information about the records and the internal control system. He can satisfy himself that the operations shown on the flow chart are carried out by the persons designated on the organization chart, and check the results themselves by repeating them in accordance with the instructions.

In electronic systems, data processing operates quite differently. It works not through wiring switches but through the programme. Accordingly the auditor must examine the master programme and the mathematical formulae which are used in its preparation. The three parts of which a business programme consists are the flow chart, the block diagram and the programme proper (coding).

The flow chart should present an overall view of the flow of data within the organization, from input to output, so that the auditor can ascertain whether for each operation the appropriate input and output media have been selected, and whether the data flowing through the computer installation can at all times be reconstructed and verified. The block diagrams require to be examined in order to ascertain whether all possible checks have been incorporated, and at the right places. Accordingly, they form the main authority for checking the results of the computer's operations, and the programme proper cannot be understood without them.

A programme may be fed into a computer by means of cards, which are then listed according to various criteria. The programmer will have a listing in addition to the flow chart and block diagram, but as programmes are constantly being changed in order to improve computer time utilization, the current listing cannot be used to check the results of past processing – and the old listing may not be available. For this and other reasons an auditor should not repeat a processing cycle using the same input and output media in order to check results. He must verify the programme and arrange his test-checking independently of the computer. This might be done by means of test cards, which are a substitute for normal input data and permit a particular part of a programme to be repeated through the medium of specially prepared cards. The result is known in advance and if a programme is being followed correctly, the computer should produce that

result and no other. Test cards should normally be available for the auditor's use.

The article raised the question whether, in order to reduce the time required for auditing E.D.P. systems, the audit might be divided into two parts: one to be performed by technically qualified personnel and the other to be covered by professional auditors.

Problems of Professional Practice

IT seems that there is a pronounced trend in Germany for *Wirtschaftsprüfer* (practising accountants) to combine with *Steuerberater* (tax advisers) in order to offer their clients the advantages of mechanization. The problems, which have been considered by a contributor in *Der Wirtschaftstreuhand*, are twofold: first, the data processing offices are the agents of the professional firms in question, and not of their clients; secondly, German laws regulating the exercise of certain professions are not always reconcilable with the activities described. On the one hand, it is often difficult to differentiate between the preparation of figures and giving advice on tax problems; on the other, for members of the professions to be directors or managers of punched-card service installations or other data processing centres may not be permissible.

Where the service centre accepts vouchers which have been properly prepared and audited before they arrive and simply processes them, it is suggested that responsibility for the figures produced remains with the accountant and that the responsibility of the service centre is restricted to the machine processing carried out. This fact also affects the other question, since the independent activities of accountants and tax advisers is not affected by resort to book-keeping machines.

The main objection arises because professional accountants or tax advisers may not participate in commerce, either through a company or other association, as such activities are regarded as not being reconcilable with the tasks and responsibilities of a professional adviser. This does not prevent him from being a member of such a company, but it would stand in his way if he desired to take an active part in its operations.

In the former United States Zone of Germany, tax advisers and auditors are expressly prohibited from exercising their profession in the form of a limited company or partnership.

AUSTRALASIA

Double Taxation Agreement

AN agreement was recently signed in Canberra between Australia and New Zealand, to provide relief from double taxation of incomes arising in the respective countries.

The agreement, which will come into effect when it has been enacted in both Australia and New Zealand, will apply for the income tax year 1959–60 in each country.

Weekly Notes

New Member of the Council of the Institute

MR ERIC NORMAN MACDONALD, D.F.C., F.C.A., senior partner in the firm of Chalmers, Wade & Co, Chartered Accountants, of Liverpool, was elected a member of the Council of The Institute of Chartered Accountants in England and Wales at the meeting of the Council held on June 1st (reported elsewhere in this issue).



Mr E. N. Macdonald

Mr Macdonald was educated at Owen's School, London, and during the 1914-18 war served in France with the Artists' Rifles, was commissioned as a pilot in the Royal Flying Corps and returned to

France to fly night-bombers with 97th Squadron in Trenchard's Independent Force of the R.A.F. He was awarded the Distinguished Flying Cross.

After a year in the actuarial department of an insurance company, he became an Assistant Inspector of Taxes in Liverpool, and in 1923 was articled to the late Mr H. E. Abbott, of Chalmers, Wade & Co. He was admitted an Associate of the Institute in 1928 and became a partner in his firm in the following year. He was elected to Fellowship of the Institute in 1935.

He was President of the Liverpool Chartered Accountant Students' Association in 1937-39 and after service on the committee of the Liverpool Society of Chartered Accountants, including the honorary treasurership in 1953-54, he became its President in 1955-56, which was the year when the Liverpool Society acted as hosts for the autumn meeting of the Institute at Southport.

In 1948 Mr Macdonald read a paper on 'Practical points in recent taxation legislation' at the Institute's summer course at Oxford and he has acted as a group leader at several subsequent summer courses. He also read a paper on 'Excess profits levy' at the autumn meeting of the Institute in 1953.

He became a member of the Liverpool Regional Taxation and Research Committee in 1942 and later acted successively as its secretary and its chairman. In 1947 he was appointed a member of the Institute's Taxation and Research Committee, was chairman of its Taxation Sub-Committee in 1956-58 and chairman of the Committee in 1958-59.

Grants to University Students

IN June 1958 the Minister of Education and the Secretary of State for Scotland appointed a committee to consider the present system of awards from public funds to university students and the like and to make recommendations. The committee's report has now been published as a Blue book¹. A majority was in favour of abolishing the requirement that parents of students enjoying the grants should contribute sums varying with the parents' income. As a corollary this majority suggested that the income tax child allowance be withdrawn for students receiving grant. Assuming parental contributions continue, the committee are in favour of bringing the system of assessment more closely to the income tax system.

Surtax Direction Restored

ON June 3rd, Mr Justice Pennycuik restored a surtax direction made on the Harton Coal Co (in liquidation) which, according to *The Financial Times* of June 4th, had been discharged by the Special Commissioners acting as an appellate body. His lordship said that the defect in their reasoning lay in their determination that 'control is throughout this legislation related to beneficial ownership'. The dispute turned on the question whether or not the company was a subsidiary within the meaning of Section 21 (6) of the Finance Act, 1922 (now Section 256 of the Income Tax Act, 1952). The provisions for surtax direction do not apply to a 'subsidiary company' within the meaning of that section.

Report on National Insurance

THE Government Actuary's second quinquennial review² of the National Insurance Scheme, for the period from April 1st, 1954, to March 31st, 1959, was published last week. The period covered by the review ended before the passage of the National Insurance Act, 1959, but a summary of that Act's main provisions is included.

The report shows that during the period under review expenditure on National Insurance benefits increased by about 75 per cent; and that retirement pensions represented no less than 70 per cent of the total outlay on benefits. This large increase in expenditure is attributable both to the increases made in the rates of benefit in 1955 and 1958, and to the rise in the number of beneficiaries, in particular the increase of over a million in the number of retirement pensioners (from 4.32 million in 1945 to 5.34 million in 1959). The Actuary estimates that there will be a further increase of over 50 per cent in the number of retirement pensioners over the next twenty-five years, as compared with an increase of only 5 per cent in the population of working age.

On the income side, the yield of contributions of insured persons and employers increased by more than 50 per cent from about £450 million in 1954-55 to nearly £700 million in 1958-59 as a

¹ Cmnd. 1051. H.M.S.O. Price 6s 6d net.

² H.M.S.O. Price 3s 6d.

result of the higher rates of contributions introduced in 1955 and in 1958. Exchequer payments to the National Insurance Fund more than doubled over the period, increasing from £71 million in 1954-55 to £163 million in 1958-59.

The position of the National Insurance Fund changed from one of modest annual surplus to one of deficit over the five-year period and in 1958-59, despite an additional Exchequer payment of £39 million, there was a deficit of £16 million. At March 31st, 1959, the National Insurance Fund amounted to £337 million and the reserve fund to £1,168 million.

The finances of the scheme will, under the 1959 Act, be placed on a 'pay as you go' basis, so that over the years, income and outgo should be in approximate balance. The estimates of future income and expenditure show a small average annual surplus in the five-year period following the commencement of the graduated scheme in April 1961; and small average annual deficits in the five-year periods 1966-1971 and 1971-1976, with surpluses thereafter. The Government Actuary concludes that, to maintain the 'pay as you go' basis of the scheme, any general increase in benefits would have to be accompanied by a provision for increasing income.

A number of appendices to the report deal in more detail with some of the matters mentioned in the main body of the text. These include estimates of the future population of the United Kingdom, the sickness experience of the insured population, and other factors which were taken into account in the estimates.

Chancellor on Trustee Savings Banks

SPEAKING on the 150th anniversary of the Trustee Savings Banks Association in Aberdeen last week, the Chancellor of the Exchequer paid tribute to the work of the Trustee Savings Banks. He said that the Trustee Savings Banks owed their success to five factors in particular. These were, first, that they have had the knack of establishing and maintaining a tradition of service to the community. Second, that despite competition they have maintained their efficiency and enterprise. It will be one hundred years ago next year since the Trustee Savings Banks had to share their particular field with the Post Office Savings Bank, a type of rivalry which has been a stimulus to both institutions. Third, the Trustee Savings Banks learned early how to work together. Fourth, they have worked in close co-operation with the Government authorities. These banks, he said, live in a half world between Government control and private enterprise and it is inevitable that their activities should be closely circumscribed by the Government. He said that the Association had played a large part in making collaboration harmonious. Finally, they have been able to keep abreast with the times and have adapted themselves to changing conditions.

So far as the future is concerned, the Chancellor

said that he was aware that if branches are to be expanded or brought up to date, and indeed if new ones are to be opened, new sources of finance are required. It was for this reason that the Government had agreed in principle to increase the rate of interest payable to the banks in order to build up a fund for capital development. He said he was glad to be able to accept the suggestion put forward by the Association that the limit of deposits in the Special Investment Department should be increased.

Investment Analysts on Company Law

EVIDENCE has been submitted by the Society of Investment Analysts to the Jenkins Committee appointed to review the provisions and working of the Companies Act, 1948. They make a large number of recommendations and in the space available these can only be briefly summarized.

The Analysts suggest that the published accounts of every company should include a trading account disclosing turnover, wages and salaries, materials consumed and, under appropriate headings, any other material expenses. They recommend that when a holding company is engaged in a trade it should publish a separate trading account and profit and loss account. Under Section 150 (2) (a), Companies Act, 1948, a company need not publish group accounts if it is at the end of its financial year a wholly-owned subsidiary of another body incorporated in Great Britain. It is suggested that the exemptions given under this section should be withdrawn. A number of recommendations are made about fuller disclosure of information in balance sheets of trade investments with special reference to the profits experience of companies which are in effect subsidiaries rather than only trade investments.

Changes are recommended in divulging information on the way in which the basis of computing the charge for taxation is shown in the profit and loss account. They think that the basis of computing the charge should be specifically stated differentiating between United Kingdom income tax, other United Kingdom taxes on profits, overseas taxes on profits and the effective rates of United Kingdom income tax in the year under consideration. The analysts think that every company or group should append to its published accounts a statement, certified by its auditors as true and fair, indicating the main activities carried on and any material changes made during the year under review. A comparative statement over the previous five years on profits and losses, again certified by the auditors, is also suggested.

They recommend that every company should submit with its accounts a 'cash flow' statement setting out the way in which increases and decreases in working capital have taken place. Certain exemptions allowed under the 1948 Act should be removed. These include the exemptions available for banking and discount companies, those for insurance companies and those for shipping companies. Published

accounts should include an up-to-date valuation of fixed assets at not more than five-yearly intervals. Owing to the expense this might involve, they suggest that it would be a suitable subject for special study. The Analysts do not like non-voting shares and they endorse the report of the committee on no par value shares in 1954. They see many advantages in favour of no par value shares, one being that these 'would prevent unsophisticated investors from deluding themselves that the par value of a share had any bearing on its true worth'.

Motor Vehicle Plans for Scotland

MR G. W. HARRIMAN, deputy chairman and managing director of the British Motor Corporation, has announced that production at the new B.M.C. factory at Bathgate, near Glasgow, is expected to begin in eighteen months' time. Full production will be achieved in the first half of 1962. Initial employment will be for about 6,000 people, building up to an eventual total of 10,000. The annual turnover is expected to be about £50 million of which not less than 50 per cent will be exported.

This is My Life . . .

by An Industrious Accountant

CHAPTER 28

THIS business of repairs to premises has been causing us headaches from the taxation allowance angle. Some months ago, we were repairing an old archway in our wholesale wing and found a broken roof-beam, which led to a cracked support to a main stairway, which led to a crumbling buttress to the main side wall, which led to a roof defect . . . when the full tale was told, we had repaired – only repaired, mind you – half the building, for over £35,000. No capital improvements except the new arch and façade, just a long series of costly patches. It was going to call for some eloquence when we made our case to the Inspector of Taxes, so we asked the auditor up for a preliminary chat with the managing director.

Our auditor gave us a most lucid explanation of the position as exemplified by the rather tricky legal background and recent case-law, but he wasn't over-optimistic about the chances of maintaining our claim successfully. He was cautious if not despondent. The managing director was alert and interested. He enjoys legal niceties and likes a brisk skirmish across the table. He sat forward and suggested that perhaps we could invite the Inspector up for a chat in the boardroom and learn his views.

He got a quick rebuff from the auditor. That gentleman's brows came down frowningly as he pointed out that it was most undesirable to have clients present at such discussions. The technical background was delicate, he indicated, and laymen might be a handicap and an embarrassment. 'No trespassers' was his obvious slogan.

I thought our M.D. coloured slightly, but his manner became quite charming. 'I have sat in on various legal arguments from time to time', he mused. 'With some briefing, perhaps, I might even be able to help a little. . . .'

The auditor was kind but firm. 'Definitely better

not, I think, if you don't mind. We don't encourage our principals to attend at these talks, they're a specialist's job.' My chief persisted blandly. 'But even an amateur might find it instructive to sit and listen. After all, well-informed clients should be an asset to your profession.'

'Well, of course, if you insist,' the auditor assented rather curtly, and the M.D. promptly switched the attack to the other flank. 'What percentage do you feel we should be allowed? All but the façade, I trust?' Here the auditor was on his own ground and he explained the background again and his usual technique. He would claim the maximum, but the Inspector was a hard nut to crack and they might have to compromise on 50 per cent. My chief was obviously flabbergasted – too obviously, I thought – as he sat back and dropped his pen. 'But you've seen the premises; you are aware that our claim is justified.'

The auditor smiled indulgently at this example of *naïveté*. His staff had scrutinized the plans, of course, and he was personally convinced (though his cynical eye reflected a long experience of clients more eloquent than accurate), but occasional compromise was an essential weapon to keep the Inspector sweet: we yield a point this time; he yields next time; it was quite simple.

My director reacted with innocent surprise: 'Not really a judicial assessment of the facts of the case, but rather a simple compromise without having regard to them? In essence, just horse-trading?' To which our auditor replied suavely: 'If there was more skilled horse-trading nowadays, we'd have fewer industrial failures.' The undercurrent suggested a forthcoming requisition of pistols for two and coffee for one.

In fact, however, they parted with an amicable agreement that I should attend the meeting to be fixed with the Inspector; I might learn a lot from it, our auditor remarked. I can't decide if he is a heroic figure preserving our professional hunting-grounds from intrusive oafs, or a Blimp trying to halt modern development.

My chief remarked cryptically afterwards that experience without enthusiasm is like cold tea. I wonder what the auditor is thinking.

Finance and Commerce

Management and Capital

ADEQUATE capital and first-rate management accounting are two prime essentials for expansion. So said Mr Philip Holborn in the course of an address at the recent National Laundry Congress in Scarborough. Mr Holborn is a director of Charterhouse Industrial Holdings, one of the Charterhouse group that has assisted in the expansion of many businesses from the 'one man' stage to flotation as a public company with a stock exchange quotation. Mr Holborn put his points with a touch of humour that gives emphasis and understanding of the essentials. Finance, he said, was not a black art; indeed, unfortunately an occasional touch of the red made that impossible. There was very little merit in fixed assets as such, he said. All they did was to enable one to circulate one's working capital profitably. If any doubt this, they should consider the barrow-boy's barrow.

There can be no expansion without capital. Everyone accepted the physical limitation of plant capacity but not everyone accepted the limitation of working capital. When an attempt was made to sell beyond the capacity of the working capital, we got that notorious state known as overtrading. There are those who overtrade and get away with it, 'but I would not be too envious of them', said Mr Holborn. Overtrading, he suggested, was like continually overtaking on blind corners: you may get there quicker – for a time.

True Situation

Quite apart from the direct financial implications of overtrading, said Mr Holborn, the climate that exists in a company which was being harassed by its creditors was a very real danger in itself. The managing director was likely to spend a large portion of his time making himself scarce so that he was not available to sign cheques, while the accountant was permanently on the telephone explaining why a promise to pay had been broken for the third time.

Mr Holborn's prescription is as follows: first of all, the patient must face up to it and know the truth, which is, that one cannot expand without capital. A certain amount of capital is normally available from retained profits and other internal sources. If insufficient capital is coming forward internally, capital must be sought from outside. Coupled with necessary capital, Mr Holborn advises 'first-rate

management accounting that looks ahead as well as back, so that you know the true situation at all times'.

Repaying Capital

GEORGE MALLINSON & SONS LTD, the Huddersfield woollen and worsted cloth manufacturers, have too much capital and there is an application to the Chancery Court to pay off the preference shares at 21s each. If permission is granted, the company will return £150,000 in 5½ per cent £1 cumulative preference shares, plus accrued interest to date of payment.

Capital repayments are rather unusual outside the normal process of redemption in accordance with contract. In these 'take-over' days, the tendency is to look round for some other business to put surplus funds into.

This week's reprint shows the financial position that has prompted the Mallinson directors to decide on the capital repayment: current assets £1,174,126, current liabilities £133,359, and £92,288 required for future income tax.

Eyes on the Group

MR G. F. NEWTON, chairman of the Cape Asbestos Co Ltd, reminds shareholders of the diminishing importance, in recent years, of the parent company's accounts. It is the consolidated figures that give the overall reflection of the group's activities. This year, however, a change has been made in the treatment of dividends paid within the group in that those declared by subsidiaries out of the profits of 1959 (accounting date, December 31st) have been brought into the profits of the parent company together with those actually received in 1959 and paid by subsidiaries out of profits of 1958. Conversely, it was thought desirable for the main South African subsidiaries not to declare dividend out of profits of 1958 or 1959.

Mr Newton points out that the parent company's profit for 1959 dealt with in these accounts is therefore not readily comparable with the 1958 figures. Group profit, however, is strictly comparable and it is that figure which provides the key to progress. These changes, says Mr Newton, have been designed to ensure the most economical disposition of the group's funds, their conservation and their employment and 'the limitation of taxation by all proper means'.

Doulton & Co

IN case any readers may have been misled by last week's reference to Doulton & Co's properties, it should be made clear that the figure of £1,949,202 referred to the whole of the properties item and not merely the Lambeth head office. From that office comes a reminder that Doulton's name is associated with many far more artistic products than the sanitary pipework and fittings to which this column so prosaically referred a week ago.

[illegible]

CITY NOTES

AGREEABLY surprised by the £10 million increase in the gold reserves in May, the City's fears concerning the possibility of an early further tightening of credit restrictions have temporarily subsided. With sterling under seasonal pressure and German and Swiss funds being repatriated during the month, the May gold figures were not expected to read particularly well. In fact a net reduction in the reserves would not have come as any surprise.

A stock-market which had been inclined to fade immediately before the gold figures were announced regained its poise immediately afterwards. Industrial equities, backed by a persistent flow of good dividend and profit news and by encouraging forecasts of current year trading, have been firmly supported.

If the market is performing its accepted function of forecasting events six months ahead it would seem that current expectations of heavier credit restrictions in the autumn are not particularly well based.

It has to be admitted, on the other hand, that price gains in equities have recently flattered the volume of buying. There is an acute shortage of shares in the market—a shortage which is only covered to a minor degree by new share issues. June is expected to be a busy new issue period and it might possibly see the launching of the Richard Thomas & Baldwins denationalization offer.

RATES AND PRICES

Closing prices, Wednesday, June 8th, 1960

Tax Reserve Certificates: interest rate (May 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sep. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

April 1	£4 12s	5.05d%	May 6	£4 13s	4.70d%
April 8	£4 12s	11.83d%	May 13	£4 11s	1.56d%
April 14	£4 13s	1.10d%	May 20	£4 11s	1.69d%
April 22	£4 13s	0.88d%	May 27	£4 11s	1.53d%
April 29	£4 13s	0.48d%	June 3	£4 11s	1.39d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2.80 1/8-1/8	Frankfurt	11.67 1/2-68
Montreal	2.75 1/8-1/8	Milan	1737 1/2-8 1/2
Amsterdam	10.55 1/2-56	Oslo	19.99 1/2-7
Brussels	139.62 1/2-63 1/2	Paris	13.72 1/2-1
Copenhagen	19.33 1/2-34	Zürich	12.08 1/2-8

Gilt-edged

Consols 2½%	45½xd	Funding 4% 60-90	89 3/4
Consols 4%	70 1/8	Savings 2½% 64-67	82 1/2
War Loan 3½%	61 1/2	Savings 3% 55-65	90 1/2
Conversion 3½%	61 1/8	Savings 3% 60-70	79 1/2
Conversion 3½% 1969	85 1/8	Savings 3% 65-75	73 1/8
Exchequer 5½% 1966	101 1/2	Treasury 2½%	45
Funding 3% 66-68	83 1/2	Treasury 3½% 77-80	74
Funding 3% 59-69	81 1/2	Treasury 3½% 79-81	74
Funding 3½% 99-04	66 1/2xd	Victory 4%	94

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Self-administered Pension Funds

SIR, — Mr Bryn E. Isaac's arithmetic, in his article in your issue of May 7th, is impressive but rests on assumptions which are very highly idealized—it seems out of place to give such an appearance of certainty to the investment results of a non-insured fund.

The prospect, both for trustees of non-insured funds and for the insurance companies transacting pension business, is that:

- (a) pensioners may continue to become more and more long-lived (a point not adequately taken into account in Mr Isaac's calculations);
- (b) the yield may not be a steady 5 per cent;
- (c) the investor cannot ignore the possibility of losses as well as gains on his investments in equities and properties and, so far as the arithmetic of Schedule II in the article is concerned, he would be fortunate indeed to enjoy a steady increase in values amounting to 300 per cent over a forty-year period.

It has helped Mr Isaac's calculations considerably that he has assumed a pension quoted by the insurance company of £925 per annum from age 65 in return for forty years' premiums at £100 per annum. Today a higher quotation could be obtained, e.g. approximately £1,000 per annum and that change alone would make a recalculated Schedule I look very different.

Insurance companies' premium rates are not rigid and changes in conditions are recognized in one way

or another by means of alterations in premium rates or, in the case of with-profits plans, changes in the level of bonuses.

Yours faithfully,
E. INNES.

Beckenham, Kent.

[Mr Isaac writes: No doubt the figures in my article are striking to someone who has not previously been aware of the enormous growth potential of a fund invested over a long period, particularly where the income is not subject to tax. I have, however, endeavoured to base my figures on reasoned assumptions with regard to future trends and I make no claim to certainty in this uncertain world.

On Mr Innes's main points I have the following comments: (a) This trend of improved mortality was recognized in the experiences of British Life Offices covering the period 1921 to 1948 and was applied in tables suitable for persons taking out annuities in 1955. It was on the basis of these figures that I made my calculations. (b) My figure of 5 per cent represents an average rate of interest. At present gilt-edged redeemable stock give a yield of almost $5\frac{1}{2}$ per cent and yields on good-class property investments are substantially higher. (c) *The Times Review of Industry*, in its equity share index, takes into account losses as well as gains in equities and this shows a figure of 86 in 1920 rising to 396 by March 1960. A net increase of approximately 450 per cent.

Mr Innes is not correct in his suggestion that I have assumed a pension quotation to help my calculations. In fact, figures very closely related to those I have used are quoted in Table A1 of the Chartered Accountants' Retirement Benefit Scheme and these appeared to me to be among the best obtainable. Taking Mr Innes's figure of £1,000 per annum, however, the surplus on Schedule I would be some £500,000 and that on Schedule II just over £20 million.]

Examination Hints

SIR, - I read with great interest your article on pages 575 and 576 of *The Accountant* of May 7th, 1960.

The article however omitted the enormous importance of the candidate knowing with absolute certainty *that the examiner is a friend and wants to be able to pass all candidates who have worked steadily and intelligently.*

Many candidates do not do themselves justice through nerves and fear, but if the examiner sees that the candidate is on the right road he makes all possible allowances. No trick questions are set and the pass standard is a very reasonable one.

Although I am no longer an examiner, I was one for seven years and have corrected many thousands of papers. With very few exceptions it has not been

difficult to form a fair assessment of a candidate's knowledge and ability. In all cases of doubt an examiner does all he can honestly do to help the candidate.

Professionally, I cannot give my name; I therefore sign myself,

Yours faithfully,
MENTOR (F.C.A.).

Annual Meeting Procedure

SIR, - Shareholders of a public company come to the annual general meeting because they have had written notice thereof. It may therefore be assumed that they can read.

Why then must they suffer, under Section 162 of the Companies Act, 1948, the irritation of having to listen to the auditors' report being solemnly read to them, more often than not, I regret to say, couched in the quite unnecessary verbosity from which only a few firms have so far had the courage to free themselves.

And even if, by some means, a completely illiterate shareholder has come to the meeting, his inability to read is likely to be equalled by his inability to understand what is read to him.

Will someone please explain to me why the auditors' report, and only the auditors' report, must be read to the meeting - an exercise which can take up a substantial proportion of the time of the whole meeting?

Yours faithfully,
HALFORD REDDISH.

Rugby.

Internal Auditors

SIR, - I have noticed in your columns from time to time, references to the activities of The Institute of Internal Auditors and its members in the United Kingdom and it was with interest that I read the account in your issue of May 14th of the first conference in Europe of this body.

Although comparatively young so far as professional organizations are concerned, it is surprising to learn that the activities of this international association have so developed in this country that it is in a position to launch a successful conference of this type.

It is also very interesting to note from the information you give about certain of the people attending the conference, that all the major accounting and/or auditing professional bodies in the United Kingdom are represented in The Institute of Internal Auditors through the qualifications of its members.

Yours faithfully,
G. A. REID, B.COM., A.A.C.C.A.

Wigan, Lancs.

NATIONAL INSURANCE ACT, 1959

Memoranda issued by the Registrar of Non-participating Employments

We reproduce the following memoranda issued by the Registrar of Non-participating Employments, 10 John Adam Street, London, WC2, for the guidance of professional advisers to employers in regard to 'contracting out' of the State graduated pension scheme. (NPE. 1 and 2 were reproduced in our issue of March 12th, 1960.)

MEMORANDUM NPE. 3

PART I

1. The Registrar has received a number of inquiries about the documents which he will require to see in connection with the contracting out of insured superannuation schemes. The following paragraphs set out what will be the normal requirements of the Registrar in different types of insured schemes. There may, however, be exceptional circumstances in any particular case or class of case, in which the Registrar would require to see other documents and he reserves the right to call for any relevant documents that may be found necessary.

Insured Schemes Established by Trust¹

2. There are many pension schemes in which a trust is created, the rules of which lay down the rate and conditions for pensions and provide that the trustees may or shall purchase an insurance policy, or policies, for the purpose of providing the pensions (in some cases it is provided that the trustees *may* invest the fund either wholly or in part in an insurance policy or policies, and if the Registrar is satisfied that the benefits upon which the employer relies in obtaining a certificate of non-participation are guaranteed by an insurance policy the Registrar will not be concerned with any other investments in the fund).

- (a) Where the pensions are provided for by a group policy covering the pensions of all the employees concerned, the trustees should supply a statement to the effect that they have effected policy No..... with the Insurance Company to provide the pensions guaranteed under the trust deed (or trust deed and rules as the case may be) which are relied on for obtaining a certificate for all the employees to be contracted out. The insurance company should certify that the full amount of premium on the policy concerned has been paid in the form of a certificate as in paragraph 45 of the leaflet R.1.
- (b) If separate policies have been taken out for individual employees, the trustees should state how many premium paying policies are in force to assure the pensions guaranteed under the trust deed (or trust deed and rules as the case may be), and the insurance company with which

they have been taken out. The insurance company should give a certificate as in paragraph 45 of the leaflet R.1 to the effect that the full amount of premiums on such policies effected by the trustees concerned had been paid and stating how many such policies are in force.

Individual Arrangements

3. If an individual arrangement has been made with an employee, e.g. on the basis of an 'exchange of letters', guaranteeing a certain level of pension, the scheme does not come into existence, for the purpose of contracting out, until either a trust has been set up by or in accordance with the terms of the arrangement or an insurance or annuity contract has been entered into guaranteeing the pension.

- (a) If a trust is set up the statements may be supplied as in paragraph 2 above.
- (b) If there is no trust but an insurance or annuity contract has been entered into, a copy of the insurance policy should be supplied. But if policies in identical terms (except with regard to the amount of pension) have been issued to more than one employee of the same employer, it would be sufficient if one copy of the letters exchanged (if they were in standard form) was forwarded and one copy of the standard policy, together with a statement from the insurance company to the effect that identical policies (except with regard to the amount of pension) had been issued to the other employees covered by similar exchanges of letters, and stating the number of such employees and the amounts of the annuities assured in respect of each individual employee, and certifying that the premiums due had been paid.

Insurance Schemes Not Established by Trust²

4. (a) If there is no trust deed, the Registrar must normally see a copy of the insurance or annuity contract.
- (b) However, if a set of rules has been issued guaranteeing to the employees concerned, in a form which amounts to a contract, equivalent pensions on appropriate conditions to be provided by an insurance policy, the rules should

¹ But excluding schemes in which a trust is constituted only by the terms of an insurance policy.

² But including schemes in which a trust is constituted only by the terms of an insurance policy.

be produced with a statement from the employer that he has effected policy No..... with Insurance Company, and a certificate from the insurance company that the premiums have been paid on the policy as in paragraph 45 of leaflet R.1.

- (c) If separate insurance or annuity contracts have been issued under a scheme of this type in identical terms (except with regard to the amounts of pension) to more than one employee, it would be sufficient if a copy of the rules (which amount to a contract) and employer's statement are supplied as in paragraph 4 (b) together with a statement from the insurance company as in paragraph 3 (b) above.

NOTE 1. For the purposes of paragraphs 3 and 4, if an insurance or annuity contract has been entered into, but a policy has not yet been issued, copies of the document or documents (e.g. a completion certificate) evidencing the contract should be supplied.

NOTE 2. For the purposes of paragraph 4 (b) and (c), a mere explanatory booklet which does not in itself guarantee pensions would not be sufficient.

PART II

Actuaries' Opinions

5. Inquiries have been made about how the actuary's opinion should be given as required by paragraph 24 (d) of the leaflet R.1 in cases where the actuarial valuation is due on a date in 1960 or the first three months of 1961. In many cases the valuation report will not be ready by the time the employer wishes to make an election or contracting out. In such circumstances the actuary's opinion, as required in paragraph 24 (d) of the leaflet, may be given in relation to the next valuation due, normally in five years' time, i.e. 1965 or the first three months of 1966. The Registrar would also require the last available valuation report (that given in 1955 or 1956) and the other documents relating to the period since the date of the previous valuation mentioned in sub-paragraphs (a), (b) and (c) of paragraph 24 of the leaflet. When the current valuation has been completed a copy of the actuarial report relevant to the valuation date in 1960, or the first three months in 1961, should be sent to the Registrar as soon as it is available.

6. An actuary's opinion given in the terms of paragraph 24 (d) of the leaflet may be given with reference to a period between one valuation report and the next instead of a period between one valuation date and the next, if that is found more convenient.

MEMORANDUM NPE. 4

Northern Ireland - Contracting Out

1. The National Insurance Act (Northern Ireland), 1959, makes the same provision in relation to Northern Ireland for graduated contributions and for contracting out as is made by the National Insurance

Act, 1959, in relation to Great Britain. The effect of the reciprocal arrangements between the two countries is that, other things being equal, a contracting out certificate issued to an employer under the Act of one country will also apply to employees of that employer in the other country who are in the relevant employments and within the relevant descriptions of persons, unless the certificate contains an express territorial limitation.

2. It is thought that it will be for the convenience generally of employers who have employees in both countries to have only one certificate and it is therefore proposed that unless the employer especially requests otherwise a certificate issued under the Act of either country should not contain any territorial limitations. Employers who have employees in both countries may apply for a single certificate covering all these employees and should when doing so explain that they have employees in both countries. The application should be made to the Registrar of the country which contains the registered office of the employer, or alternatively where the bulk of his employees are based, but in any case of doubt the Registrar in either country will advise as to the most appropriate course.

3. If for any special reason an employer with employees in both countries wishes a certificate for which he is making application to apply only to employees in one of the countries, he should make that clear when approaching the Registrar.

MEMORANDUM NPE. 5

Time for Making Elections to Contract Out

1. The Registrar has received a number of inquiries whether any date has been fixed before which elections to contract out must be made in order that certificates may be issued before April 1961. No such date has been fixed. It is nevertheless important that employers who intend to contract out should not delay in making any necessary amendments to their schemes, giving notice to their employees and sending their elections to the Registrar, so that there shall not be too great an accumulation of elections to be dealt with shortly before the time when the State graduated pension scheme is due to begin.

2. In this connection attention is drawn to a reply given by the Minister of Pensions and National Insurance to a question in the House of Commons on March 23rd, an extract of which is as follows:

'Application for a certificate under Section 7 may be made at any time, whether before or after April 1961, but employers who wish to have certificates in force at the beginning of the new scheme should allow sufficient time, in making their applications, for the Registrar to be able to deal with them by that date. In cases where a certificate, even though applied for, has not been issued by April 1961, graduated contributions will be payable from then until such date as the certificate is issued and takes effect.'

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Cooke v. Haddock

In the High Court of Justice (Chancery Division)
May 19th, 1960

(Before Mr Justice PENNYCUICK)

Income tax - Property transaction - Purchase of estate - Some land ripe for development - Outline planning permission obtained - Service road built - Some land sold - Whether property-dealing - Income Tax Act, 1952, Sections 52 (5), 526 (1).

The appellant, a solicitor in practice, purchased, in 1948, an estate of about seventy-two acres. The price was £12,420, of which £8,000 was obtained by way of a loan from a building society at 4 per cent interest. The rental value of the estate was £167 12s. Much of the land was ripe for building development, and the vendor had obtained provisional outline planning permission and had constructed a service road. The appellant submitted development plans, and within two months of the purchase he obtained outline planning permission on the same terms as the vendor had done. The appellant did not take any steps to develop the land, nor did he advertise it. Between 1949 and 1953 he sold twenty-three plots piecemeal. In 1954 he sold nineteen and a half acres with an option to purchase a further twenty-three and a half acres within seven years. That left the appellant with about twenty-four acres in a green belt area. The appellant had been concerned in three companies and one partnership engaged in property-dealing.

It was contended by the appellant that the purchase was a long-term investment in land, and that the sales were not made in the course of carrying on a trade or an adventure in the nature of trade, but were capital receipts. It was contended on behalf of the respondent that the appellant had carried on a trade or an adventure in the nature of trade, and that the receipts were assessable under Case I of Schedule D. The Special Commissioners accepted the respondent's contention.

Held: there was evidence justifying the Special Commissioners' decision.

Independent Television Authority and Associated Rediffusion v. C.I.R.

House of Lords - May 26th, 1960
(Before Lord RADCLIFFE, Lord TUCKER, Lord COHEN,
Lord KEITH OF AVONHOLM and
Lord MORRIS OF BORTH-Y-GEST)

Stamp duty - Bond covenant duty - Contract for provision of programmes - Stated amount of fee for stated period - Larger fee thereafter - Provision for increase or decrease - Whether agreement for definite and certain period - Stamp Act, 1891, Sections 1, 4, Schedule I.

The Independent Television Authority was established under the Television Act, 1954, for the purpose

of providing, for ten years from July 30th, 1954, television broadcasting services. Ordinarily, broadcast programmes are not provided by the Authority, but by other parties under contracts with the Authority, and the other parties make payments to the Authority for the right to broadcast programmes.

By an agreement dated May 23rd, 1955, between the Authority and the second appellant, the second appellant was given the right to provide broadcast programmes. From a commencement date, between August 15th and November 15th, 1955, the second appellant was to pay the Authority a fee at the rate of £495,600 a year until March 1955, or until the expiration of two and a half years from the commencement date, whichever was the later; and thereafter the fee was to be at the rate of £536,900. These payments were subject to increase or decrease in the event of an increase or decrease of 5 per cent or more in a half-yearly index figure compared with a basis index figure. The Authority had the right to increase fees after the expiration of three and a half years from the commencement date, and there could be a review of fees by arbitration in certain circumstances. The term of the agreement was from the commencement date until July 29th, 1964, but both the Authority and the second appellant had power to determine that agreement in certain events.

The Commissioners of Inland Revenue were of the opinion that the agreement was chargeable with stamp duty *ad valorem* under the head:

'Bond, Covenant or Instrument of any kind whatsoever (1) being the only or principal or primary security for any annuity . . . or for any sum or sums of money at stated period . . .'

in Schedule I to the Stamp Act, 1891. They were also of the opinion that the agreement was:

'for a definite and uncertain period, so that the total amount to be ultimately payable can be ascertained' and that stamp duty was chargeable on that total amount. The Inland Revenue also took the view that the 'definite and certain period' was the period from November 15th, 1955, to July 25th, 1964. They assessed the duty, in respect of the £495,600 a year for two and a half years, at £1,239,000, and in respect of the £536,900 for six years and seventy-six days, at £3,333,193. On this total the amount of duty was £11,431.

The appellants contended (1) that the agreement was a 'security' as it was for the provision of services, and was not liable to *ad valorem* duty at all; (2) alternatively, that the agreement was a security for a period which was not certain; (3) alternatively, that duty was chargeable only in respect of the fee payable during the period from November 15th, 1955, to March 31st, 1956, the end of the first (broken) half-yearly period, as that was the only period for which an ascertainable sum was payable.

Held: (affirming the judgment of the Court of Appeal) notwithstanding that the stated sum could be increased or decreased, stamp duty was calculable on the specific sum; and the duty as assessed was correct.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, June 1st, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr C. U. Peat, M.C., President, in the Chair; Mr S. J. Pears, Vice-President; Messrs J. Ainsworth, C.B.E., E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrow, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. C. Densem, S. Dixon, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. G. Gout, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, P. D. Irons, J. A. Jackson, H. L. Layton, R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuleworth, D. Steele, C. M. Strachan, O.B.E., A. D. Walker, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whitney, C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley C.B.E.

ELECTION OF PRESIDENT

The President: Gentlemen, the first item on the agenda of the ordinary meeting is to elect a President and Vice-President for the ensuing year. I call upon Sir Thomas Robson.

Sir Thomas Robson, M.B.E.: Mr President, to his great regret and ours Sir Harold Howitt is unable to be with us today. It thus becomes my privilege to propose the name of your successor as president of the Institute. Had he been with us Sir Harold would have put to you the same proposals in his own inimitable and felicitous way. The words would have differed but the name would have been that which I now submit to you as President for 1960-61, namely, the name of Mr John Pears. (*Applause.*)

Mr Pears is well known to us all as your Vice-President, as a member of this Council and its committees since 1946 and as senior partner in the great firm of which his father was the senior partner thirty years ago. Between his father and himself he can trace an accountancy life which, but for one short year, corresponds with the whole history of the Institute.

He pretends that he came into accountancy by mistake rather than by inclination. If that be so, it just shows how early mistakes can be made to form a basis on which to build if a man has character and latent aptitudes of which he was unaware when he began his professional life.

He has rendered great service to the public, to the profession, to this Institute and to his firm and will render still greater service to all four of them in the days ahead.

In proposing Mr Pears for the Vice-Presidency last year, Sir Harold Howitt made reference to the great number of important public appointments which he had held. Since then Mr Pears has assisted you right loyally, Mr President, throughout a strenuous year; he has represented the Institute at the annual meeting of the Canadian Institute in Vancouver and on other overseas occasions; he has attended innumerable meetings of this Council and its committees. To these he has brought invariably a fund of common sense and shrewd judgement to bear upon the diverse problems with which the Council and its committees have to deal.

His partners must have suffered by reason of his attention to Institute affairs but I am sure they have been glad to shoulder some of his burdens. We look to them to shoulder more of them for the ensuing year and are most grateful to them and to Mrs Pears for their readiness to allow Mr Pears so much time for Institute duties and affairs. (*Hear, hear.*)

I now beg, therefore, to propose that Mr Sidney John Pears be elected president for the ensuing year and I hope that Mr Hawkins will second my proposal. If Mr Pears is elected, I hope he and Mrs Pears will derive the same satisfaction as my wife and I did out of the experience of being a President of the Institute and his wife. I cannot wish them anything better. (*Applause.*)

Mr L. C. Hawkins: Mr President, it is a great privilege to be called upon to second the motion which Sir Thomas Robson has just put to the Council, the motion that Mr Pears should succeed you, sir, as our President for the coming year.

Forty years ago, when I was learning the elements of my profession, I certainly never dreamt that this distinction could ever come my way. Something totally unexpected has happened to me and perhaps this simple fact will give encouragement to the large numbers of young men who are now studying to be, or have recently become, Chartered Accountants. I hope so, for in forty years' time one of them, no matter how unlikely it might seem to him at this moment, will be standing here charged with the same responsibility as that which has fallen to me today, the responsibility of supporting the election of yet another in the long line of Presidents of this Institute.

It is particularly pleasing for me to support the election of Mr John Pears, for there have always been the closest ties of friendship between his firm and the firm with which I had the good fortune to be trained.

The rewards for service, Mr President, differ. There are the glittering prizes of which we have all heard. There is position, and the attainment of high office in human affairs but there is also the simple and enduring satisfaction which Emerson described when he said, 'The reward of a thing well done is to have done it'. Charles Kingsley carried this same thought even further in *Westward Ho!* when he said, 'The best reward for having wrought well already is to have more to do. . . .'

No man becomes President of this Institute, as we all know, unless he has 'wrought well already' in the interests of the Institute and of its members. Mr Pears has 'wrought well already' on our behalf for a long number of years and now, in recognition of what he has already done, it is proposed that he be given 'more to do'. It is the most we have in our power to offer.

Mr President, it is with pleasure and confidence that I second the resolution which Sir Thomas Robson has put to us, that Mr Pears be elected President for the coming year, President, that is to say, not only of our deliberations in this Council chamber, but President also of the 33,000 members of the Institute, whether they be in England and Wales or scattered, as many of them are, all over the world. (*Applause.*) I second the resolution. (*Applause.*)

The resolution was carried unanimously amid applause.

The President: Mr Pears, it gives me great pleasure to confer on you this really lovely badge of office. I take this opportunity to congratulate you and wish you a very happy year of office, a year full of satisfaction and happiness to yourself and, I know, of considerable advantage to the Institute.

Mr S. J. Pears: Thank you very much.

Mr Pears then took the chair and said: Sir Thomas Robson, thank you very much indeed for the extremely gracious way in which you proposed my election as President, and thank you, Mr Hawkins, for seconding it.

Next year I think will be a hard one. Mr MacIver tells me that all years are hard, but next year we should have the Report of the Parker Committee on Education and Training to deal with and we should have the report of the Barrows Committee on Technical Activities. We are hoping that Mr Hawkins's own committee will be able to do something for industrial accountants, making them feel that they are still members of the profession. I am hoping that we shall be able to do something in the forthcoming year for the small practitioner. I do not think there is anything else that I want to say except that I hope to do at least half as well as the last President, Mr Charles Peat, has done. (*Applause.*)

ELECTION OF VICE-PRESIDENT

The President: The next item on the agenda is the election of the Vice-President. I call upon Mr House to make a proposition.

Mr D. V. House: Mr President, before moving what is one of the most important resolutions of the Council Year, I should like to associate myself with the warm welcome that your election has received and to wish you health and happiness and a successful year of office.

My pleasant task is to submit for the consideration of the Council the name of one of our number to act as Vice-President for the ensuing year. I feel sure that very few words will be necessary from me in support of this proposal when I tell you that the person I am proposing is Paul Francis Granger. (*Applause.*)

Mr Granger was born in 1903, educated at Oundle, and having reached an appropriate age was articulated to the late Mr T. G. Mellors, of Nottingham. Even at that early stage, Mr Granger must have assimilated some idea of service to his profession because his principal was elected President of the Institute during Mr Granger's days as an articulated clerk. Mr Granger was admitted to the Institute in 1928. He then spent some years in London on the staff of Price, Waterhouse & Co, returned to Nottingham in 1932 and became a partner in the firm of Mellors, Basden & Mellors, in 1933.

His professional career was interrupted during the war. He was commissioned in the Territorials in February 1939 and in July 1941 he went overseas to Baghdad as Staff Captain of a Brigade, subsequently rising to the rank of Major in the 10th Army and Paiforce. In 1943 he was seconded to the Public Relations Bureau, Teheran, for administrative duties, becoming an Attaché at the British Embassy and subsequently Deputy Director of Public Relations. On demobilization in August 1945 he resumed practice.

He had always taken a keen interest in local affairs and is on the Council of the University of Nottingham. He was for five years hon. secretary of the Nottingham Society of Chartered Accountants and was President of that Society in 1949 and 1950.

He was elected to this Council in 1950 and most of us are aware of the valuable and willing service he has already given as a Council member. There is only one main committee of which he has not been a member and that is the Disciplinary Committee. He therefore has already a fine record of service and experience.

It is with every confidence in his ability to carry out his duties with the dignity, charm and clear thinking which we have all come to expect from him, that I now propose that Mr Paul Francis Granger be elected Vice-President of the Institute for the ensuing year. (*Applause.*)

Mr P. V. Roberts: Mr President, first of all, may I follow Mr House's lead and add my own congratulations on your election and my best wishes for the year that lies ahead. Now let me say that I am particularly glad to have the privilege of seconding the proposal to elect Mr Granger as Vice-President. When I joined the Council, of all those members whom I had not previously met, Paul Granger was one of the first I got to know well and it was not long

before I realized that here was a man who was more than likely to reach the summit.

In conclusion, I must mention another of his assets; he possesses a charming wife. I am quite sure she will give him all the support he will undoubtedly need and our good wishes go out to her as well as to him. Mr President, it is with great pleasure that I formally second the resolution.

The motion was carried by acclamation.

The President: I am delighted you are going to be my Vice-President.

Mr Paul F. Granger: Mr President, Mr House, Mr Roberts and my friends on the Council, this is naturally an occasion of very considerable pride and humility for me to find myself in this position. I should like to thank Mr House for the very kind words he said about me. It will be a very great privilege to me to serve with Mr Pears. We have already sat next to each other on one or two committees and I shall be very proud indeed to help him in everything that he has to do in his year of office.

I would like, also, to thank Mr Roberts for the very kind words he said about my wife. I suppose that nobody gets on in this life without a happy home, and I have been very fortunate in that respect.

Finally, there is one remark I should like to make. It has been said that every man is a debtor to his profession. Well, the Council have placed me under a very great debt today and I shall do my best to discharge it to their satisfaction. Thank you very much indeed. (*Applause.*)

VOTE OF THANKS TO RETIRING PRESIDENT

Sir Harold Gillett, Bt., M.C.: Mr President, Mr Vice-President, may I first of all add my congratulations to both of you and wish you a very happy year of office. It is my privilege today to move a vote of thanks to the retiring President. I am very proud and am very delighted that I was named to do this task today – otherwise I should have been killed in the rush of members wishing to do the same thing.

Before I propose the motion, which I drafted myself, I should like to introduce it with a few remarks, because I feel that the whole of our profession is based on our motto *Recte numerare* and we have in a general sense to deal with matters in a rather cold-blooded fashion, but today the terms of my resolution and the spirit in which it is put forward are concerned with humanities because I am referring to someone who has made himself so affectionately regarded by all of us during his term of office. (*Applause.*) We today are paying tribute to his great work for the Institute. It is said that in a multitude of councillors there is much wisdom – but you sir, have displayed the greatest amount of wisdom in the shortest space of time and you have done it because of your tactful handling of affairs.

With great sincerity, sir, we salute you, in your capacity as retiring President, and we also say "Thank you, Charles" for what you have done.

I now have great pleasure in proposing: 'In taking leave of the retiring President, Mr Charles Urie Peat, holder of the Military Cross, Master of Arts, Fellow of the Institute of Chartered Accountants, the Members of the Council of the Institute of Chartered Accountants in General Council assembled desire to record with the greatest warmth and sincerity their deep appreciation of the services which Mr Charles Peat has, throughout his recently concluded year of office, unstintingly rendered to the Council of the Institute, the Profession as a whole and the business world in general.

The worthy son of a loved and distinguished father, he has most worthily upheld not only the traditions of his family but those of a long line of distinguished holders of the office of President of the Institute.

The Council in congratulating him upon a job exceedingly well done, offers him their best wishes for good health and happiness in the years to come and asks him to convey to his charming lady too their best thanks and good wishes, being very mindful of the great help she has given her hus-

band throughout his year of office and the many kindnesses she has shown to members of the profession.

I move that and ask Mr Benson to second it. (*Applause.*)

Mr H. A. Benson, C.B.E.: Mr President, I would like to endorse everything that Sir Harold Gillett has said about Mr Peat. It is given to few people to have two qualities which always seem to run together. The first is to be instinctively trusted by your fellow men, and the second is to have an unerring instinct for knowing what is right. These are qualities which distinguish the leader and administrator from the mere technician. Providence has been kind to him in giving these qualities in overflowing measure. All of us who have watched the affairs of the Institute in the past year have seen with admiration how he has engendered both trust and affection wherever he has been. I have been fortunate in attending one or two of the Provincial dinners, at which he has been the principal guest during the past year, and when he has addressed the gathering and has spoken with his directness and eloquence which few of us could emulate, I have been proud that he has been the leader of this profession. Although this tribute is only a short one, I know I speak for every member of this Chamber when I say that the warmth and sincerity with which I second it is shared by us all.

The motion was carried by acclamation.

Mr C. U. Peat: Mr President, Sir Harold, Mr Benson and gentlemen, I am overwhelmed by the resolution which you have passed and by what you have said. I have already congratulated you, Mr President and Mr Vice-President, and I would like to repeat my very sincere congratulations.

Gentlemen, it is not for me to make a long speech, but I should like to say what a happy year of office I have had. You have had one man wholly at your service and he has been a very happy man during the time. I feel that our efforts are cumulative and progressive, and therefore I am so proud and so grateful that I followed a line of distinguished men, who, in their time and at the appropriate moments, have laid the foundations on which we are building now, and I pay my tribute to those who have been Presidents before me. Also, as our efforts are progressive and cumulative, I pay my tribute to the new President. With him as President the future is indeed rosy and I should like to thank him very much indeed for the loyalty, for the friendship and for the cheerfulness with which he has assisted me all through my year of office.

I do not think I have anything more to say. I feel that it is a wonderful thing to have been President of this Institute. Not only is it a great honour but it is also a great experience. You feel that you are in touch with a very living thing which has emanated from the hearts and hopes and minds of a great number of men and will progress in the future without any faltering if we continue to go on as we are doing at the moment, and, as I have just said, our new President is just the man for the job. Thank you very much. (*Applause.*)

Election to the Council

Mr Eric Norman Macdonald, D.F.C., F.C.A., Liverpool, was elected a member of the Council to fill the vacancy caused by the death of Mr G. F. Saunders, F.C.A.

Finance Bill

The Council received a report on a discussion at Somerset House on May 19th, 1960, between members of the Board of Inland Revenue and representatives of the Institute (Sir William Carrington, F.C.A., Mr C. M. Strachan, O.B.E., F.C.A., Mr J. E. Talbot, F.C.A., and Mr G. H. Vieler, F.C.A., with the Secretary to the Taxation and Research Committee) in connection with a memorandum on the Finance Bill submitted on May 12th, 1960, to the Chancellor of the Exchequer on behalf of the Council.

Company Law Committee

The Council approved a memorandum for submission to the Jenkins Committee on Company Law. Any member

wishing to obtain a copy of the memorandum may do so without charge on application to the offices of the Institute.

Appointments to Committees

The following Committees were appointed for the year 1960-61:

President ex-officio member of all Committees other than the Disciplinary and Investigation Committees.

Vice-President ex-officio member of all Committees other than the Disciplinary, Investigation and P. D. Leake Committees.

Applications

E. Baldry, G. T. E. Chamberlain, C. Croxton-Smith, G. G. G. Gault, L. C. Hawkins, J. S. Heaton, R. B. Leech, R. McNeil, J. H. Mann, K. G. Shuttleworth, V. Walton, M. Wheatley Jones, R. P. Winter, E. K. Wright.

Articled Clerks

T. A. Hamilton Baynes, J. H. Bell, P. F. Carpenter, H. O. Johnson, H. L. Layton, R. P. Matthews, Bertram Nelson, C. U. Peat, D. Steele, M. Wheatley Jones, E. F. G. Whinney, E. K. Wright.

Disciplinary

E. Baldry, W. L. Barrows, T. A. Hamilton Baynes, D. A. Clarke, Sir Harold Gillett, R. P. Matthews, Bertram Nelson, C. U. Strachan, A. D. Walker, M. Wheatley Jones, E. F. G. Whinney, R. P. Winter.

District Societies

J. H. Bell, G. T. E. Chamberlain, C. Croxton-Smith, G. G. G. Gault, P. F. Granger, P. D. Irons, H. O. Johnson, R. B. Leech, R. McNeil, J. H. Mann, R. P. Matthews, C. U. Peat, F. E. Price, K. G. Shuttleworth, D. Steele, C. M. Strachan, A. D. Walker, J. C. Montgomery Williams, R. P. Winter, E. K. Wright.

Examination

W. L. Barrows, T. A. Hamilton Baynes, P. F. Carpenter, G. T. E. Chamberlain, D. A. Clarke, W. G. Densem, J. Godfrey, J. S. Heaton, D. V. House, J. A. Jackson, R. McNeil, Bertram Nelson, J. E. Talbot, A. D. Walker, A. H. Walton, V. Walton.

Finance

J. Ainsworth, W. L. Barrows, J. H. Bell, Sir William Carrington, D. A. Clarke, J. Clayton, S. Dixon, W. W. Fea, Sir Harold Gillett, P. D. Irons, R. P. Matthews, F. E. Price, P. V. Roberts, A. H. Walton, J. C. Montgomery Williams.

General Purposes

E. Baldry, W. L. Barrows, Sir William Carrington, Sir Harold Gillett, P. F. Granger, Sir Harold Howitt, W. H. Lawson, R. McNeil, C. U. Peat, L. W. Robson, Sir Thomas Robson, C. M. Strachan, A. D. Walker, R. P. Winter, Sir Richard Yeabsley, and the Chairman or Vice-Chairman of the Finance, Investigation and Parliamentary and Law Committees.

Investigation

C. P. Barrowcliff, P. F. Carpenter, C. Croxton-Smith, W. G. Densem, D. V. House, J. A. Jackson, J. E. Talbot, J. C. Montgomery Williams.

Library

T. A. Hamilton Baynes, J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, J. Godfrey, J. S. Heaton, H. O. Johnson, R. B. Leech, K. G. Shuttleworth, A. D. Walker, E. F. G. Whinney.

Non-Practising Members Consultative

J. Ainsworth, C. W. Aston (t), J. Cartner (t), E. M. Clayton (c), J. Clayton, S. Dixon, W. F. Edwards (c), W. W. Fea, H. P. Finn (c), L. C. Hawkins, P. D. Irons, J. Latham (c), Sir Edward Pode (c), P. V. Roberts, J. C. Walker (c), and the Chairman and Vice-Chairman of the General Purposes Committee.

(c) Co-opted members.

(t) Nominated by Taxation and Research Committee.

Overseas Relations

W. L. Barrows, Sir William Carrington, D. A. Clarke, W. G. Densem, Sir Harold Howitt, W. H. Lawson, H. L. Layton, W. E. Parker, S. J. Pears, Sir Thomas Robson, Sir Richard Yeabsley, and the Chairman of the Parliamentary and Law Committee.

Parliamentary and Law

H. A. Benson, Sir William Carrington, J. Clayton, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey (c), Sir Harold Howitt, W. H. Lawson, R. G. Leach (c), J. H. Mann, S. J. Pears, Sir Thomas Robson, C. M. Strachan, J. E. Talbot, E. K. Wright.

(c) Co-opted members.

P. D. Leake
W. L. Barrows, P. F. Carpenter, Bertram Nelson, E. F. G. Whinney.

Summer Course
T. A. Hamilton Baynes, P. F. Carpenter, W. W. Fea, J. S. Heaton, D. V. House, P. D. Irons, J. A. Jackson, H. L. Layton, J. H. Mann.

London and District Society of Chartered Accountants

The following members were appointed by the Council to serve on the committee of the London and District Society of Chartered Accountants for the ensuing year:

Mr D. V. House, Mr H. L. Layton, Mr J. H. Mann.

Taxation and Research Committee

The following Council appointees on the Taxation and Research Committee were appointed for the year 1960-61:

Mr G. R. Appleyard, Mr L. H. Clark, Mr S. M. Duncan, Mr W. F. Edwards, Mr R. O. A. Keel, Mr J. W. Margetts, Mr G. P. Morgan-Jones, Mr L. Pells, Mr J. Perfect, Mr D. W. Robertson, Mr C. Romer-Lee, Mr J. G. Vaughan.

Exemption from the Preliminary Examination

Four applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to. One application was refused.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to. One application was refused.

Registration of Articles

The Secretary reported the registration of 170 articles of clerkship during the last month, the total number since January 1st, 1960, being 943.

Admissions to Membership

The following were admitted to membership of the Institute:

§Adrain, Michael John; A.S.A.A. 1960; 6 Pinsent Road, Durban, South Africa.
Attree, Alan Howard; A.C.A., 1960; 247A Queens Park Road, Brighton.
§Routledge, Vernon Newton; A.S.A.A., 1960; 131 Heatherdene, Paul Nel Street, Hillbrow, Johannesburg, South Africa.

Fellowship

The Council acceded to applications from nineteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Members Commencing to Practice

The Council received notice that the following members had commenced to practise:

Backhouse, Brian Douglas; A.C.A., 1958; 4 Watford Road, Aspley, Nottingham.
Baldwin, Fred; F.C.A., 1960; A.C.A., 1935; (Proctor & Proctor), 1 Carr Road, Nelson, Lancs.
Barton, John Raymond; A.C.A., 1956; (W. G. Johnson & Co), Cromford House, Cromford Court, Manchester, 4, and at Rochdale.
Bassett, Robert Cecil; A.C.A., 1955; (Ware, Ward & Co), 7 Unity Street, College Green, Bristol, 1; (for other towns see Ware, Ward & Co).
Bullworthy, Charles Frank; A.C.A., 1952; (A. E. Hook & Co), 21A St Thomas's Square, Newport, I.W., and at Ryde and Shanklin.
Burgess, Peter James; A.C.A., 1959; (Owen West & McGregor), Globe Buildings, 38 Friar Street, Reading.

Butler, Thomas Andrew; A.C.A., 1960; (Barker, Smiles & Co), 6 Grafton Street, London, W1.

Chandler, Robert Geoffrey, D.F.C.; A.C.A., 1951; (Greenslade & Co), Drapery Buildings, The Drapery, Northampton, and at London.

Chaplin, Stanley Frederick; A.C.A., 1953; (B. Smith, Son & Wilkie), 22 Darlington Street, Wolverhampton.

Cherry, Alwyn; F.C.A., 1960; A.C.A., 1927; (Proctor & Proctor), 57 Princess Street, Manchester, 2.

Clarke, John Neil, LL.B.; A.C.A., 1959; (†Rowley, Pemberton & Co), 9 Bishopsgate, London, EC2, and 8/12 Camden High Street, London, NW1.

Cody, Ronald John; A.C.A., 1960; (Smallfield, Fitzhugh, Tillett & Co), 24 Portland Place, London, W1.

Coop, Geoffrey Brian, M.A.; A.C.A., 1959; (†Rowley, Pemberton & Co), 9 Bishopsgate, London, EC2, and 8/12 Camden High Street, London, NW1.

Cooper, John; F.C.A., 1960; A.C.A., 1958; (S. 1938); 20 White Hart Lane, Hawkwell, Hockley, Essex.

Cormack, John Richard; A.C.A., 1957; (Gresham, Whitehead & Cormack), 678/680 Salisbury House, London Wall, London, EC2.

Cunliffe, Graham; A.C.A., 1955; (Litton, Pownall, Blakey & Higson), (Astbury, Mitcheson & Miller) and (Dryden, Dorrington & Co), 42 Spring Gardens, Manchester, 2.

Devins, Gerald; F.C.A., 1960; A.C.A., 1958; (S. 1948); (Walter Hunter, Bartlett, Thomas & Co), 24 Bridge Street, Newport, Mon.

Field, Rowland Marchant; F.C.A., 1960; A.C.A., 1958; (S. 1949); (Smallfield, Fitzhugh, Tillett & Co), 24 Portland Place, London, W1.

Firth, Colin, A.C.A., 1958; (S. 1954); (Denis Rawlinson & Co), Long Causeway Chambers, Long Causeway, Peterborough.

Fleetwood, Fred Leighton; F.C.A., 1960; A.C.A., 1948; (S. 1937); (Victor Walton & Co), City Chambers, Infirmary Street, Leeds, 1.

Freedman, Isaac; A.C.A., 1956; (R. Kay & Co), 196 Deansgate, Manchester, 3.

Freeman, David Derek; A.C.A., 1960; 156 Holmleigh Road, Stamford Hill, London, N16, and 374 Old Street, London, EC1.

Gerrard, Michael David; A.C.A., 1960; (Micheal Gerrard & Co), 83 Hanover Road, Willesden, London, NW10.

Gibson, Douglas William; F.C.A., 1960; A.C.A., 1949; (Jackson, Pixley & Co), Kent House, Telegraph Street, London, EC2.

Hainsworth, Ronald; F.C.A., 1960; A.C.A., 1937; (Matthews, Brooke, Taylor & Co), 3 Wards End, Halifax.

Harris, Oliver Birkbeck; A.C.A., 1952; (†Rowley, Pemberton & Co), 9 Bishopsgate London, EC2, and 8/12 Camden High Street, London, NW1.

Hart, Ivor Malcolm; A.C.A., 1957; (Ivor M. Hart & Co), 5 Mapleleaf Gardens, Ilford, Essex.

Kanas, Philip Ellis; A.C.A., 1959; (I. M. Morris, Kanas & Co), Bow Chambers, 55 Cross Street, Manchester, 2.

Kemp, Maurice William; A.C.A., 1950; (†Rowley, Pemberton & Co), 9 Bishopsgate, London, EC2, and 8/12 Camden High Street, London, NW1.

Knott, John Alan; A.C.A., 1958; (S. 1957); (Denis Rawlinson & Co), Long Causeway Chambers, Long Causeway, Peterborough.

Leader, John Albert; A.C.A., 1960; (Parker, Leader & Co), 1 Berkeley Square, Bristol, 8.

Levy, Peter Maurice; A.C.A., 1958; (S. 1955); 123 Western Avenue, East Acton, London, W3.

Liebling, Sydney Norman; A.C.A., 1958; (S. 1957); (†Taft, Baldock & Winstanley), 22 Regent Street, Nottingham; also at Grantham, (†John Baldock & Gregory).

§ means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Mills, Ronald Kingsley; A.C.A., 1960; 21 Victoria Road, Acocks Green, Birmingham, 27.
 Milner, Thomas John Lawrence; A.C.A., 1956; (Smallfield, Fitzhugh, Tillett & Co), 24 Portland Place, London, W1.
 Monger, Peter Gordon Frederick; A.C.A., 1958; (S. 1954); (Clemence, Hoar & Co), 8 Western Road, Romford, Essex.
 Newcomb, Charles Buckle; A.C.A., 1951; (Jackson, Pixley & Co), Kent House, Telegraph Street London, EC2.
 Perks, Peter John; A.C.A., 1959; (Webb, Krinks & Thomas), 1 and 2 Sandringham Mansions, Exeter Road, Bournemouth.
 Potel, Solomon Stanton; A.C.A., 1958; (S. 1955); (S. Stanton Potel & Co), 10 Dover Street, London, W1, and 3 Southbourne Crescent, Hendon, London, NW4.
 Price, Iwan Gruffydd; A.C.A., 1960; (Baddiel, Sleeman & Co), 20 Walter Road, Swansea.
 Rogove, Albert Ivor; A.C.A., 1960 (Ralph Marks & Co), 4 Great Winchester Street, London, EC2; 96 The Avenue, London, NW6, and 144 Landsdown Avenue, Manor Park, London, E12.
 Sale, Reginald Ernest; A.C.A., 1958; (S. 1950); (Nicholls & Jefferson), 7 Station Road, Gloucester.
 Sayer, Charles Edward Vivian; A.C.A., 1959; 4 Worcester Gardens, Sutton, Surrey.
 Schonhut, Derek Edwin; A.C.A., 1958 (S. 1955); (D. E. Schonhut & Co), 26 High Street, Wimbledon Common, London, SW19.
 Sherring, Frederick Anthony; F.C.A., 1960; A.C.A., 1949; (Harmood Banner, Lewis & Mounsey), 10 Norfolk Street, Manchester, 2.
 Sherwin, Geoffrey; A.C.A., 1960; (Bernard Lister & Co), Oriental Chambers, Station Road, Doncaster.
 Smith, Keith Ashton; A.C.A., 1957 (Bailey, Page & Co), A4 Queen Insurance Buildings, 10 Dame Street, Liverpool, 2.
 Sola, Victor Albert; F.C.A., 1960; A.C.A., 1928; (Welch & Parkinson), 13 Rumford Street, Liverpool, 2.
 Spencer, Gordon James; A.C.A., 1958 (S. 1950); (H. A. Merchant & Co), 48/50 Uxbridge Road, Ealing, London, W5.
 Stanley, Norman Frederick; A.C.A., 1956; (Clemence, Hoar & Co), 8 Western Road, Romford, Essex.
 Stein, Anthony Roger; A.C.A., 1959; (A. Assheton Lowe & Co), 19A Coleman Street, London, EC2.
 Taylor, John Fallows; F.C.A., 1960; A.C.A., 1958; (S. 1943); (Croudson & Co), 7 St Michael Street, Malton, Yorkshire.
 Taylor, Tom Bannister; F.C.A., 1960; A.C.A., 1949; (Proctor & Proctor), 43 Westgate, Burnley, and at Manchester and Nelson.
 Thomas, Donald Albert; A.C.A., 1950; (Donald A. Thomas & Co), 21 Mansel Street, Carmarthen.
 Tuohy, John Colin; A.C.A., 1960; 41 Bromley Road, Edmonton, London, N18.
 Wildbur, John Robert; A.C.A., 1957; (Thain, Wildbur & Co), 18 Tuesday Market Place, King's Lynn.

Williams, Geoffrey; A.C.A., 1953; (*Moore, Scott & Williams), Crescent Chambers, Llandrindod Wells, Radnorshire, and at Hereford and Llanidloes.

Wood, Christopher Edward; F.C.A., 1960; A.C.A., 1925; (Ridley, Heslop & Sainer), 10 New Court, Lincoln's Inn, London, WC2.

Young, George Brian; F.C.A., 1960; A.C.A., 1946; (G. & G. B. Young), Bevois House, 27-30 Basinghall Street, London, EC2.

Admissions Void

The Secretary reported that the admissions to membership of the following persons had become void under bye-law 41: Farrant, Leslie John, B.A., 17 Clifton Hill, St John's Wood, London, NW8.

Roe, Peter Howard, 'Clinton', Druidstone Road, St Mellons, near Cardiff.

Resignation

The Council accepted the resignation from membership of the Institute of:

Payne, Laurence Gilbert; A.C.A., 1957; (Malpas, Simmons & Co), 261A Finchley Road, London, NW3.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Acton, Allan Henry, F.C.A., São Paulo.

Ambrosini, Charles Felix, F.C.A., Darlington.

Carter, Oscar Henry, F.C.A., Norwich.

Davies, Samuel, F.S.A.A., Bournemouth.

Everall, Richard, F.C.A., London.

Griffin, Harold George, F.C.A., Leicester.

Hodgson, Thomas, F.C.A., Sunderland.

Hutchinson, John, F.C.A., Newcastle upon Tyne.

Kelsall, Nehemiah Ernest, F.C.A., Camborne.

Kershaw, Joseph Wright, F.C.A., Morecambe and Heysham.

Knowles, Ernest Andrew, F.C.A., Llandudno.

Mallam, John Stewart, F.C.A., Bury St Edmunds.

Mellor, Thomas F.S.A.A., Macclesfield.

Meredith, Ernest Reginald, F.C.A., Twickenham.

Polkinghorne, Charles Sidney, F.C.A., Chelmsford.

Ratnett, Walter Ernest, F.C.A., Reading.

Roy, Dilbag, F.C.A., Kashmir, India.

Smith, George Raneford, F.C.A., Morecambe and Heysham.

Smout, Percy Libbis, M.C., F.C.A., London.

Straus, Percy Weiller, J.P., F.C.A., London.

Williams, John Seth, C.B.E., F.C.A., Welwyn Garden City.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on May 3rd, 1960.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Robert Percy Huxley, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that he signed the Accountant's Certificates required by Section 1 of the Solicitors' Act, 1941, relating to the practice of a solicitor, for each of three consecutive accounting periods which he knew or which he ought to have known were not accurate, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Robert Percy Huxley, F.C.A., had been proved and the Committee ordered that Robert Percy Huxley, F.C.A., of 3 Station Road, Sunbury-on-Thames, Middlesex, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Frank Bentley, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that he signed the Accountant's Certificates required by Section 1 of the Solicitors' Act, 1941, relating to the practice of a solicitor, for each of six consecutive accounting periods without taking any or sufficient steps to ensure that the statements certified by him in those Certificates were accurate, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Frank Bentley, F.C.A., had been proved and the Committee ordered that Frank Bentley, F.C.A., of Tenterden Chambers, 1 Tenterden Street, Bury, Lancashire, be reprimanded.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

- Auditing Principles; by W. B. Jencks. New York. 1960. (McGraw-Hill, 66s.)
- Can I Help You?; by D. Perkins. 1959. (Cassell, 16s.)
- Chambers's Encyclopaedia; by W. Chambers; edited by M. D. Law. Vol. I-XV. 1959. (Newnes, 72 guineas.)
- Charlesworth's Company Law; by J. Charlesworth: seventh edition; by T. E. Cain. 1960. (Stevens, 25s.)
- Charlesworth's Mercantile Law; by J. Charlesworth: ninth edition; by C. M. Schmitthoff and D. A. G. Sarre. 1960. (Stevens, 21s.)
- A Conspectus of Management Courses: education and training in the field of management. (British Institute of Management.) Fourth edition. 1960. (Pitman, 45s.)
- Farm Work Study: a basic guide for the farmer, poultry keeper and market gardener; by N. Harvey. 1958. (Farmer & Stockbreeder, 8s 6d.)
- A Guide to Management Accounting; by H. W. Broad, F.C.A. and K. S. Carmichael, A.C.A.: second edition. 1960. (H.F.L., presented, 18s.)
- Income Tax Manual: Part I: Income Tax Act, 1922 . . . corrected up to August 31st, 1959. (Pakistan): fifth edition. Karachi. 1959. (Government of Pakistan Press, presented by H. A. Bhimjee, Rs2.)
- Increasing Profits in the Smaller Business: a guide to management control. (British Institute of Management.) 1960. (B.I.M., 22s 6d.)
- The Law and the Profits; by C. N. Parkinson. 1960. (Murray, 15s.)
- The Law of Contract; by G. C. Cheshire and C. H. S. Fifoot: fifth edition. 1960. (Butterworth, 50s.)
- Management for the Smaller Company; edited by Elizabeth Marting. New York. 1959. (American Management Association, 72s.)
- Managerial Accounting: an introduction; by H. Bierman. New York. 1959. (Macmillan, 52s 6d.)
- Modern Banking; by R. S. Sayers: fifth edition. 1960. (Clarendon Press, 25s.)
- Modern Trends in the Form of Published Accounts; by R. S. Waldron, F.C.A., and E. H. W. Sambridge, F.C.A. 1960. (Textbooks, 13s 9d.)
- Pension Schemes; by M. Pilch and V. Wood. 1960. (Hutchinson, 40s.)
- Rural Estate Management; by R. C. Walmsley: fourth edition. 1960. (Estates Gazette, 65s.)
- The Social Framework: an introduction to economics; by J. R. Hicks: third edition. Oxford. 1960. (Clarendon Press, 18s.)
- The Stages of Economic Growth; by W. W. Rostow. Cambridge. 1950. (C.U.P., 21s.)
- Topham's Company Law; by A. F. Topham: twelfth edition; by J. Montgomerie, S. D. Temkin and D. M. Walker. 1955. Supplement, 1960. (Butterworth, 17s 6d and 2s.)
- Trial by Tribunal: a study of the development and functioning of the tribunal of inquiry; by G. W. Keeton. 1960. (Museum Press, 25s.)
- World Tax Series: (edited) by W. S. Barnes: Taxation in Sweden: (edited) by M. Norr, F. J. Duffy and H. Sterner. Boston. 1959. (Little, Brown & Co., 117s.)

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

SEVENTY-FIFTH ANNIVERSARY

The seventy-fifth anniversary of The Institute of Municipal Treasurers and Accountants will be celebrated next week at a conference to be held at the Royal Festival Hall, London, from June 13th to 16th. A short history of the Institute, together with details of the conference programme, appeared in *The Accountant* of January 16th.

Throughout its existence, except in wartime, the Institute has organized an annual conference of its members. For many years these have been held in coastal resorts, and this London conference represents a departure from the usual custom, taken in order to mark the seventy-fifth anniversary.

The conference will be attended by 1,600 delegates, consisting of members of the Institute, together with lord mayors, mayors and chairmen of finance committees of most of the more important local authorities in the country, and representatives of public boards. Most of the Institute members attending are the chief financial officers of local and public authorities, and with a number of representatives of other accountancy bodies both from home and overseas, together with delegates' wives, over 2,500 people will be in London for the occasion. Some 900 local and public authorities will be represented.

The business sessions of the conference, which is

under the chairmanship of Mr G. B. Esslemont, C.B.E., J.P., M.A., B.COM., LL.B., C.A., F.I.M.T.A., President of the Institute, begin next Tuesday with an official welcome to delegates to London by the Chairman of the London County Council, Councillor Mrs F. E. Cayford. The conference will then be officially opened by the Minister of Housing and Local Government, the Rt. Hon. Henry Brooke, M.P.

There will be addresses by the Rt. Hon. Lord Morrison of Lambeth, C.H., on 'British local government - past, present and future'; by the Comptroller and Auditor-General, Sir Edmund Compton, K.B.E., C.B., on 'Control of public expenditure'; and by the Chancellor of the Exchequer, the Rt. Hon. D. Heathcoat Amory, M.P. At the conclusion of the conference, the President-elect, Mr A. L. A. West, O.B.E., Treasurer, North West Metropolitan Regional Hospital Board, will be invested as President for 1960-61.

The seventy-fifth anniversary will be particularly marked by a banquet in Guildhall on Tuesday evening which will be attended by about 650 delegates, guests and ladies.

A report of the conference proceedings will appear in our next issue. Extracts from the Council's report for 1959-60 are reproduced in the following pages.

EXTRACTS FROM THE REPORT OF THE COUNCIL

PART A - MATTERS OF GENERAL INTEREST
Seventy-fifth Anniversary

The Institute was founded at a meeting held at Manchester Town Hall on December 8th, 1885, as 'The Corporate Treasurers' and Accountants' Institute' to provide a forum for the discussion of matters of common interest to its members and generally to promote their efficiency. It was incorporated under the Companies Acts in 1901 as a company limited by guarantee, under the title it still bears, and in 1959 it received the hall-mark of recognition as pre-eminent in its own field by the grant of a Royal Charter of Incorporation. In the first year, the Institute's membership was sixty-eight; it has now grown to 3,140, excluding students, and although most of its members are still engaged in local government, others are to be found in practically all fields of public authority finance.

The Local Government Act, 1958 - General Grant

The Council has noted that the amounts of the General Grant made available by the Exchequer for distribution to local authorities in the first two years have, as a result of discussions with local authority representatives, been increased from £393 million for 1959-60 and £414 million for 1960-61 to £402 million and £429 million respectively, to take account of increases in 'the level of prices, costs or remuneration' (Section 2 of the Act).

Relaxation of Controls

One of the Government's undertakings on the introduction of the General Grant was that there would be a relaxation of controls over local authority operations. This promise has to some extent been fulfilled but the relaxation has not yet gone far; and the Council hopes that such discussions as remain will achieve still more freedom for local authorities to act as responsible bodies.

Rating and Valuation - Working Party

A working party of representatives of the local authority associations and Government departments is reviewing rating and valuation law and procedure. A memorandum of points referred to the Council by members of the Institute has been submitted to the working party for their consideration.

Delays in Dealing with Valuation Appeals

A number of representations have been received by the Council from members regarding delays in dealing with valuation appeals. These have been taken up with the Inland Revenue and it is hoped that a speeding up in procedure will result.

Standard Form of Published Accounts

The Council is pleased to report that an increasing number of abstracts which have come to hand this year are in the new standard form but progress is slow and there is need for greater determination if the full advantages of the standard abstract are to be secured. In an effort to stimulate further interest in this project a series of occasional articles on municipal accounting has been initiated and the first of the series has appeared in *Local Government Finance* for April 1960. In addition, authoritative rulings will be issued by the Council as often as circumstances demand on points of interpretation. The problems of change-over may possibly be exaggerated but the Council is anxious to give whatever assistance it can to those financial officers faced with particular difficulties when adopting the standard form.

Local Government Superannuation Fund Investments

In the last few years a number of local authorities have obtained powers to invest their superannuation funds in securities not included in the trustee list and a private members' Bill promoted in the present session of Parliament sought to extend these powers to all local authorities. Before this received a second reading, however, the Government issued a White Paper proposing general legislation to extend the list of trustee securities and the Bill was withdrawn. The Council has kept the position under constant review and representations have been made to the Treasury on a number of points arising from the White Paper.

Building Society Loans to Local Authorities

The Building Societies Association has recommended English and Welsh Societies to lend to a local authority in England and Wales only on the security of a formal mortgage, a stock or annuity certificate or a debenture under the seal of the authority and not to lend on the security of a simple receipt given by the local authority for the money lent. This recommendation arises from the view that these temporary loans are not trustee securities and the Council has drawn the attention of the Treasury to the apparent anomaly. In the Building Societies Bill introduced into Parliament in the current session there is provision to enable the Chief Registrar to prescribe the loans in which a building society may invest. The Council has drawn the attention of the Chief Registrar to the possibility of including temporary loans of local authorities in any list of approved investments. It has since been announced that it is intended to prescribe for this purpose deposits with local authorities at not more than seven days' notice where coupled with an undertaking to grant a mortgage if required.

Radcliffe Committee

The report of the committee on the working of the Monetary System, presided over by Lord Radcliffe, recommended in relation to local authority loans, in paragraphs 596-600 briefly as follows:

- (a) The Exchequer should stand ready to provide long-term capital through the Public Works Loan Board at the current gilt-edged rate for the relevant maturity, to any local authority that is not able or does not want to raise the money it requires in the market on its own credit at a comparable rate.
- (b) Local authorities have been borrowing on a huge scale at very short terms in a way that is contrary to the funding policy of the monetary authorities at rates much above Treasury bill rates. While local authorities should be encouraged to borrow locally if they can do so without paying too high a premium, the Treasury should ensure that the premium for local money is kept small by not restricting their access to the Public Works Loan Board at prevailing gilt-edged rates.
- (c) Local authorities should use the banks for purely temporary and irregular borrowing, and should pay to the banks a rate less than that charged to any industrial borrower but somewhat higher than the Treasury bill rate.
- (d) The committee did not accept the view that bill finance by local authorities was objectionable in principle; but thought it unlikely to become widespread or to extend the sources of funds available to local authorities.
- (e) The glutting of markets with short-term local authority paper has gone on too long to be without effect on the markets for the central government's bonds. If the alternative is a long queue of local authorities in the new issue market - as there was for

- several years – it is better that the Exchequer should do the borrowing.

After considering the Chancellor of the Exchequer's statement in the House of Commons on November 26th, 1959 (*Hansard*, col. 583) that the Government had made up its mind not to implement this part of the report, it was decided that there was no effective action that could be taken by the Institute.

• Joint Crematorium Committees

The tax position of Joint Crematorium Committees has been discussed with the Inland Revenue, who have agreed that they should be regarded for tax purposes as partnerships, any tax assessments being apportioned between the constituent authorities in accordance with the usual rules for partnerships. It has also been agreed that the reimbursement of loan charges to a constituent authority which has incurred capital expenditure on behalf of a joint committee should be made net after deduction of tax on the interest element of the loan charges.

Case VI Assessments

Reference was made in the annual report for 1958–59 to a case involving the set-off of Case VI losses which was due for hearing by the Special Commissioners. This case, which concerned the claim by Orpington Urban District Council to set off losses on games in public parks against the excess rent assessment on council dwellings, was heard by the Special Commissioners on October 28th and 29th, 1959. The Commissioners allowed the claim in principle subject to the agreement of figures. They have not yet given their formal determination and it is probable that when this appears the Inland Revenue will appeal against the decision.

Refunds of Superannuation Contributions

Following suggestions made in previous years, discussions have continued with the Inland Revenue on the possibility of introducing a simpler method of dealing with tax deductions from refunds of superannuation contributions in order to save administrative work, both in local authority and Inland Revenue offices, and to reduce delays in making refunds. Some difficulties have been encountered in coming to any general agreement but the Council will continue to seek a satisfactory arrangement.

Investments of Superannuation Funds

The investment of local authority superannuation funds in equities has created new tax problems. A company with overseas interests obtains the benefit of double taxation relief and therefore pays in effect less than the full standard rate of tax. Tax is still deducted from the dividends it pays at full standard rate, but where a person receiving the dividend claims refund of tax for any reason, the refund is restricted by Section 350, Income Tax Act, 1952, to the net United Kingdom rate of tax actually paid by the company. This means that a superannuation fund cannot obtain a full refund of the tax deducted from such dividends even if the fund is fully approved. The fact that local authority funds are not fully approved introduces further complications which have been the subject of discussions with the Inland Revenue. No agreement has yet been reached on the treatment of these investments for tax purposes and the Council will be grateful for details of difficulties encountered by any authority.

Research

Two research studies which were expected to be available shortly after the last conference were delayed by printing difficulties and were published only recently. The first of these, *Accounting Systems of Smaller Authorities*, is a description of the variety of accounting methods in use in authorities with populations of under 40,000; furthermore, the study reviews some of the information contained in earlier researches now out of print. The other study, *Pooling of*

Local Authority Loans, provides a useful and practical treatise on loans pooling. Both these publications in their respective fields should be of considerable value to the officers of local authorities, practitioners and students alike: in line with other researches they are intended to provide information on subjects on which hitherto there has been little published material.

No new studies have been started during the year, although work has begun on an inquiry into insurance policies of local and public authorities referred to in the last annual report. Steady progress continues on other researches and the Council are continually grateful to all who assist in the work of increasing the store of knowledge of the profession, particularly to those who participate directly in research and to those who provide the information on which research is based.

The significance of the allocation of central establishment charges assumes increasing importance as the use of comparative statistics extends as a tool of management and administrative efficiency. The need for reliable and truly comparable figures for all services is urgent and in fact the Institute is under an obligation to implement the undertaking given to the Central Housing Advisory Committee to study the possibility of securing greater uniformity in the apportionment of administration expenses in the housing accounts. A sub-committee of the Research Committee are investigating this and related problems to enable the Council to give a firm lead in these matters in amplification of the general recommendations given in *The Form of Published Accounts of Local Authorities*. The determined co-operation of financial officers and of interested members of local authorities will be required if this objective is to be attained.

Students' Societies

The students' society movement continues its activities with vigour and enthusiasm, giving real service to its members as it has done for close on sixty years. The scope of its activities is unique in the professions and apart from organizing lectures and providing lecture prints, the Joint Committee of Students' Societies produces a monthly magazine, *Telescope*, which has a circulation of 1,800. The activities of students' societies depend entirely on voluntary help and the Council appreciates the valuable contribution made to the training of finance staffs.

Overseas Membership

The Institute's overseas membership continues to grow, especially in Central and East Africa; in 1956 a branch was formed in Northern Rhodesia, and in the current year an East Africa Branch has been formed to cater for the members in Kenya, Uganda and Tanganyika. The President and the Hon. Treasurer of the Institute visited Africa in early 1960, to attend the conference of the South African Institute of Municipal Treasurers and Accountants and to visit centres where members of the British Institute are employed.

Audit Clauses in Local Legislation

At the last conference reference was made to discussions taking place on the inclusion of the Institute's name in the audit clauses of local legislation, as an Institute whose members were qualified to audit the accounts of bodies similar to local authorities. These discussions were satisfactorily concluded early in the year, and the first Act to include the Institute's name was the Humber Bridge Act, 1959, which received the Royal Assent in July. Since then, a number of Orders have included a similar audit clause and the Council has taken steps to ensure that the precedent will be followed generally.

Capital Finance of Local and Public Authorities

Following the pattern of the very successful week-end conferences held at Balliol College, Oxford, in 1954 and 1956, the Council organized a conference at Caius College, Cambridge, on 'Capital finance of local and public authori-

ties' last September. The conference was attended by eighty-seven senior financial officers from a wide variety of public services.

Jenkins Committee on Company Law

Last year the President of the Board of Trade appointed a committee under the chairmanship of Lord Jenkins to review and report upon the provisions of the Companies Act, 1948, and other matters. Subsequently, the Institute, in response to an invitation to submit views to the committee on matters within the terms of reference, offered to assist on any points which the committee thought the Institute could contribute from the experience of its members.

British Standards Institution

A committee of the British Standards Institution engaged on the preparation of standards for punched cards, on which the Institute is represented, has now issued a first report dealing with alpha-numeric punching codes. During the year the Institute has been invited to appoint a representative on a committee preparing standards for dividend warrants, and has appointed the Secretary.

Annual Meeting and Conference 1961

The Council has been pleased to accept the invitation of the Mayor and Corporation of Blackpool to hold the 1961 conference in Blackpool; the dates will be June 14th, 15th and 16th, 1961.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS JONES, ROBATHAN, THOMPSON & Co, Chartered Accountants, of Mercantile Chambers, 13 James Street, Cardiff, announce that as from June 1st, 1960, they have admitted into partnership Mr MARTYN C. LLEWELLIN, B.A., A.C.A., and Mr RICHARD T. PARKINSON, A.C.A., who will practise in the Newport and Cardiff offices respectively. Both have been associated with the firm for a number of years.

MESSRS C. E. FREE & Co, Chartered Accountants, of 11A Princes Square, Harrogate, and 10A Stonegate, York, announce that Mr D. L. SMITH, A.C.A., has been admitted a partner at Harrogate, with effect from June 1st, 1960. The name of the firm remains unchanged.

Mr J. B. MARKS, T.D., F.C.A., practising as J. B. MARKS & Co, Chartered Accountants, of 17 Fleet Street, London, EC4, announces that he has taken into partnership Mr MICHAEL HARRIS, A.C.A. The style of the firm remains unchanged.

MESSRS PEACOCK & HENRY, Chartered Accountants, of 111 Union Street, Glasgow, announce that Mr R. A. PEACOCK, C.A., has retired from the firm to take up a commercial appointment, and that as from June 1st, 1960, they have taken into partnership Mr T. G. FRATER, C.A., Mr B. J. FRIEND, C.A., and Mr J. G. SPENCE, C.A., all of whom served their apprenticeships with the firm and have acted in a senior capacity for a number of years. The style of the firm remains unchanged.

Mr G. E. TICKNER, A.S.A.A., announces that he has commenced to practise at 27 Chapel Road, Worthing, Sussex.

Appointments

Mr W. A. Hawkins, F.C.A., has been appointed chairman of Bristol Evening Post Ltd.

Mr E. C. Swinson, F.C.A., has been appointed assistant secretary of Royal Exchange Assurance.

Mr J. Burgoyne, A.C.A., A.C.W.A., has been appointed accountant of Samuel Osborn & Co Ltd.

Mr A. S. Beaumont, A.C.A., has been appointed secretary of Walter Somers Ltd and Walter Somers (Materials Handling) Ltd.

Mr Geoffrey P. Griffith, M.A., A.C.A., has been co-opted to the board of Broadweir & Southern Properties Ltd.

Mr M. J. Cox, A.A.C.C.A., has been appointed secretary of the Royal Arsenal Co-operative Society.

EXAMINATIONS WITHOUT TEARS

The Council of The Royal Institution of Chartered Surveyors has received a report on the educational policy of the Institution which has been prepared by a special committee of university lecturers, college governors and leading chartered surveyors.

One of the suggestions contained in the report, which is now being considered by the Council, is that candidates for the Institution's professional examinations should in future be allowed to take copies of Acts of Parliament and certain reference books into the examinations. In some sections of the examinations the use of calculating machines may also be permitted.

IN PARLIAMENT

Decimal Coinage and Metric System

Mr PROUDFOOT asked the Chancellor of the Exchequer whether he will now make a statement regarding the Report on Decimal Coinage and the Metric System by joint committees of the British Association for the Advancement of Science and the Association of British Chambers of Commerce.

Mr AMORY: The report recently published by the British Association for the Advancement of Science and the Association of British Chambers of Commerce on the introduction of a decimal coinage and of a metric system of weights and measures is an interesting study which seems amply to justify the initiative taken by the two bodies which sponsored it. While it is not in form a report to Her Majesty's Government, we shall study its findings with care.

There is clearly force in the report's recommendation that an early decision in principle for or against the adoption of a decimal coinage is desirable, if only because delay will add to the expense if a change is finally made. At the same time it is clearly necessary to discover more precisely what the country at large thinks on the question, since the convenience of the community is the main consideration involved. We shall accordingly welcome the widest discussion of this question.

The report is helpful in bringing out clearly the point that a decision to introduce a decimal currency cannot usefully be divorced from a decision on the particular decimal system to be adopted. A comparison of various possible systems suggest that the pound does not lend itself particularly readily to decimalization, since its hundredth part would be too large to serve conveniently as the smallest unit of currency,

while its division into a thousand parts would involve the inconvenience and expense of working to three points of decimals.

On the other hand there are evident objections in which Her Majesty's Government see great force to giving up the pound as the main unit of currency, bearing in mind the role which it has for long played in international trade, and the respect in which it is held throughout the world. If this consideration were thought decisive, the practical choice would then be between the retention of our present currency and the adoption of a decimal currency based on the pound (i.e. the £/mil system or some variant of it).

Hansard, May 31st, 1960. Written Answers. Col. 119.

Business Firms: Payments to Political Parties

Mr W. HAMILTON asked the Chancellor of the Exchequer to what extent payments made by firms to political parties are now regarded by the Inland Revenue as a legitimate business expense for tax purposes.

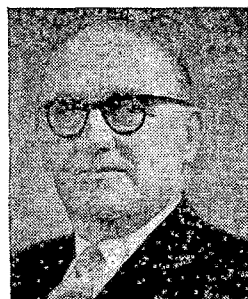
Mr BARBER: Payments to political parties are not regarded as a deductible expense.

Hansard, June 2nd, 1960. Oral Answers. Col. 1617.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

New Chairman Elected

Mr G. R. Appleyard, F.C.A., a partner in the firm of Thorne, Lancaster & Co, Chartered Accountants, was elected Chairman of the London and District Society of Chartered Accountants at a meeting of the committee of the Society held last Tuesday.



Mr G. R. Appleyard

Mr Appleyard, who was born in 1903, was educated at Chigwell School and was articled with Thorne, Lancaster & Co in 1921. He was admitted an Associate of the Institute in 1929 and six years later became a partner in Thorne, Lancaster & Co; he was elected to Fellowship of the Institute in 1943.

Mr Appleyard was first elected to the Committee of the London and District Society in 1933 and was re-elected in 1951. He has served on various committees of the Society and became the Vice-Chairman in 1959, in which year he was appointed chairman of the London Regional Taxation and Research Committee.

Outside the work of his practice he has served on the committee of Lloyd's Panel Auditors to advise the corporation of Lloyd's on the problems of central accounting. He is Master of the Worshipful Company of Innholders and is chairman of the City of London Building Society and of London and Provincial Laundries Ltd. He is also honorary treasurer of the

Reigate Parliamentary Division and a member of the Surrey County Playing Fields Committee.

Mr G. F. Ansell, F.C.A., a partner in the firm of Kemp, Chatteris & Co, Chartered Accountants, has been elected Vice-Chairman.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Mr T. Hedley Bell, B.A., F.C.A., a partner in the firm of David Smith, Garnett & Co, Chartered Accountants, of Manchester, has been elected President of The Manchester Society of Chartered Accountants for 1960-61.



Mr T. Hedley Bell

Mr Bell, who served his articles with Messrs Parkinson, Mather & Co, of Manchester, was admitted an Associate of the Institute in 1937 and was elected to Fellowship in 1951. He became a partner in his present firm in 1946. For three years to December 1956 he was honorary secretary of the Society.

Mr Bell is a director of Jas. Williamson & Son Ltd, Fothergill & Harvey Ltd, and a number of other companies. He is also vice-chairman of Ancoats Hospital and served for a period on the North Manchester Hospital Management Committee.

Other officers have been elected for the ensuing year as follows:

Vice-President: Mr W. Hare, M.A., F.C.A.

Hon. Treasurer: Mr T. G. Wood, F.C.A.

Hon. Secretary: Mr T. W. E. Booth, F.C.A., Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2.

Hon. Librarian: Mr G. W. Murphy, B.A.(COM.), F.C.A.

In proposing the adoption of the annual report and accounts for the year 1959 at the annual general meeting, the retiring President, Mr F. H. Walsh, F.C.A., referred to the fact that, owing to lack of support, it had not been possible to hold the Institute's autumn meeting in Blackpool as originally planned. This had been a source of disappointment to many members of the Society, particularly those who had been involved in the preliminary arrangements.

Following a recent communication from the Secretary of the Institute with regard to the placing of five university students from overseas, members of the Society who had notified vacancies for articled clerks had been circularized and those who were interested had been requested to approach the Commissioner for Nigeria.

In the course of his presidential year, during which he had been privileged to represent the Society at functions of other professional bodies and organizations and at other district society dinners, Mr Walsh

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

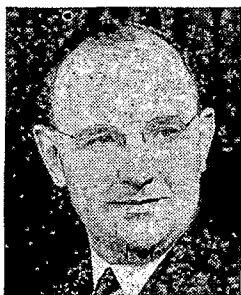
had been much impressed by the co-operation of these other bodies and felt that the designation of chartered accountant was acquiring greater significance. He was also of the opinion that the Institute had taken great strides in their endeavours to co-ordinate the interests of students and of members of the Institute.

During the year, the committee had given consideration to the administration of the Society, its branches and sub-branches, with a view to improving liaison between the various areas. Certain reorganization proposals had been adopted and would be implemented at an early date.

In reply to a comment by Mr H. K. Greaves (an Incorporated Accountant member), who voiced the feelings of himself and other members who were unable to use the letters A.C.A., the President stated that this matter had been referred to at the recent annual general meeting of the Institute, and he thought that the best advice he could impart was that the members concerned should read the very full reply given on that occasion.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

Mr Alan Whittaker, F.C.A., a partner in the firm of Rawlings & Wilkinson, Chartered Accountants, of Sunderland, has been elected President of the Northern Society of Chartered Accountants for the ensuing year.



Mr A. Whittaker

Born in 1917, Mr Whittaker was educated at Ourile School, where he was captain of rugby football, and was articled in 1936 to Mr A. W. Holey, then a partner in Rawlings & Wilkinson. Placed second in the November 1938 Intermediate examination, his studies were then interrupted by the Second World War in which he served from November 1939 to January 1946. He was commissioned in the 11th Battalion of the Durham Light Infantry and served with that Battalion and the Second Battalion of the King's Own Yorkshire Light Infantry in Iceland and India. In November 1945 he was placed First in the Final examination and was admitted an Associate of the Institute in 1946, in which year he became a partner in Rawlings & Wilkinson.

Mr Whittaker has been a member of the Northern Society's Committee since 1949 and has been secretary of the Northern Regional Taxation and Research Committee since 1950. He also serves as a member of the Institute's Taxation and Research Committee as one of the two representatives of the Northern Society.

The Society's new Vice-President is Mr P. T. Duxbury, F.C.A., of North Shields.

Report for 1959

The report of the committee for the year ended December 31st, 1959, shows that membership at the year-end numbered 410, a decrease of two compared with the previous year.

Two lecture meetings were held and a number of members also attended lecture meetings of the Students' Society at the society's invitation. Informal luncheons were held at Newcastle and Sunderland and were well attended; there was also a good attendance of seventy members at a pot-pie supper held with the Inspectors of Taxes. The annual dinner and the annual golf meeting were successful social events.

The North Yorkshire and South Durham Branch held a number of lecture meetings and luncheon meetings and paid a visit to the Tyne Tees Television Centre. Their annual dinner was attended by 175 members and guests.

The Cumberland Branch held informal monthly luncheon meetings in Carlisle and two lecture meetings. The annual ball was held at *The Royal Oak Hotel*, Keswick, and for the first time a golf meeting was arranged at the Carlisle Golf Club.

BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

At the recent annual meeting of the Birmingham and District Society of Chartered Accountants, Mr E. J. Newman, M.A., F.C.A., was elected President for the year 1960-61.

Mr Newman, who is a partner in the firm of Newman, Biggs and Co, Chartered Accountants, of Birmingham, is the son of Mr E. W. Newman, F.C.A., who was President of the Society from 1937-39. Born in 1915, Mr Newman was educated at Mill Hill School and Trinity Hall, Cambridge, where he graduated with First Class Honours with distinction in law. He served his articles with Mr F. C. A. Ledsam, F.C.A., of Harrison, West, Ledsam & Co, Chartered Accountants, of Birmingham, and was awarded honours in the Intermediate and Final examinations, taking First Place in the Final with the W. B. Peat Gold Medal. Admitted an Associate of the Institute in 1940, he became a partner in Newman, Biggs & Co in 1946 and was elected to Fellowship of the Institute in 1951.

Mr Newman, who has always taken great interest in student society affairs, was honorary secretary of the committee responsible for organizing lectures for students in the Birmingham area for ten years after the war. He was President of the Birmingham Students' Society in 1954, while from 1947-1953 he acted as a part-time lecturer in accounting at Birmingham University.



Mr E. J. Newman

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Elected a member of the committee of the senior society in 1952, he served as honorary secretary in 1957-58 and as Vice-President in 1959-60; he has also been a member of the Regional Taxation and Research Committee since 1953. In 1957, Mr Newman presented a paper at the Institute's Summer Course at Oxford on 'The layout and design of accounts', which was subsequently reproduced in *The Accountant* of August 17th and 24th, 1957.

Other officers of the Society elected for the ensuing year are as follows:

Vice-Presidents: Messrs E. Jarvis Garner, J.P., F.C.A., and C. J. Mason, F.C.A.

Hon. Secretary: Mr G. S. Major, T.D., B.COM., F.C.A., Messrs Major & Co, 89 Cornwall Street, Birmingham, 3.

Hon. Assistant and Dinner Secretary: Mr W. R. Doherty, T.D., F.C.A.

Hon. Treasurer: Mr D. E. T. Tanfield, F.C.A.

Hon. Librarian: Mr J. T. Paxton, F.C.A.

Report for 1959-60

The Society's seventy-eighth annual report for 1959-60 records a total membership at April 30th of 1,430, an increase of thirty-seven members. Regular meetings were held during the session and were all well attended. The two discussion groups continued to meet: the attendances at the meetings of Group A were unfortunately disappointing, but the Group B meetings met with better response. The tuition lectures for articled clerks organized by the joint lecture committee of the senior and students' societies were continued during the year and once again a week-end residential course was held at Merton College, Oxford, where there was an attendance of eighty-six students.

The Wolverhampton Branch, the Coventry Area Branch and the Stoke-on-Trent Area Branch all passed an active year and all showed an increase in their respective memberships.

THE INSTITUTE OF INTERNAL AUDITORS

The second annual general meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held at *The Cambridge Inn*, Cambridge Street, Birmingham, next Thursday, at 6.30 p.m. Tea will be available from 6 p.m.

An 'Open forum' on matters of domestic and professional interest will follow the formal business. Non-members are welcome and inquiries regarding activities and membership should be addressed to Mr G. T. L. Judson, chief internal auditor, Ansells Brewery Ltd, Aston Cross, Birmingham, 6.

The 1960 report of the board of governors of the Chapter for the year ended May 31st, 1960, to be presented at the annual general meeting, shows that the present membership numbers twenty-one.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m. on Monday next, June 13th, in the vestry at St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be 1 Peter, Chapter 1, verses 21 to 25 (Obedience to the word of truth which endures for ever).

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings will be held during next week:

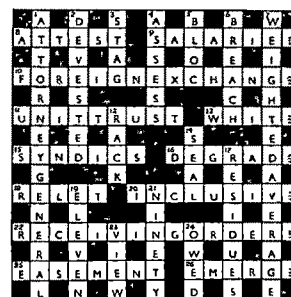
Monday: Visit to Martins Bank head office (limited number).

Wednesday: 'Kingsway Club' theatre party.

Thursday: at Hurlingham - Summer Dance.

ACCOUNTANTS' CROSSWORD SOLUTION

The solution to the 'Accountants' Crossword', compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:



ANNOTATED TAX CASES

Part 6 of Volume XXXVIII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports with notes on the judgments of the following cases: *Whitworth Park Coal Co Ltd v. C.I.R.*, *Brancepeth Coal Co Ltd v. C.I.R.*, *Ramshaw Coal Co Ltd v. C.I.R.* (H.L.); *Grey and Randolph (Hunter's Nominees) v. C.I.R.* (H.L.); *Oughtred v. C.I.R.* (H.L.); *Houry v. East Africa Commissioner of Income Tax* (P.C.); *In re Lonsdale Wills Trusts* (C.A.); *Imperial Chemical Industries Ltd v. Caro* (Ch.D.); *C.I.R. v. Collico Dealings Ltd*, *C.I.R. v. Lucbor Dealings Ltd* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

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Penalties New Look - II

THE inclusion of different tax years in arriving at the maximum penalty under clause 43 in the Finance Bill might, where more than one penalty was incurred, result in the same tax swelling more than one penalty. Accordingly, sub-clause (6) of that clause directs that any assessment taken into account for one penalty shall be ignored in assessing the other penalties.

A person whose case is within column 1 in the Fifth Schedule to the Bill can avoid the clause 43 penalty if he proves two things:

- (a) that the failure is not due to his wilful default or negligence; and
- (b) that he remedied it without unreasonable delay (clause 43 (5)).

Clause 43 thus draws some subtle distinctions; for instance, between failure without reasonable excuse on the one hand, and negligence on the other. For cases within column 2 or column 3 of the Fifth Schedule, there is even more lenience. Not only is the maximum penalty £50 in the first place, but the defaulter can take avoiding action by remedying the failure before proceedings are commenced.

Clause 43 (7) imports into the clause two provisions in the Income Tax Act, 1952, which limit the penalty in two particular cases to £5. These are the proviso to Section 20 (4), dealing with a taxpayer's return of his own income where there is no liability, and the proviso to Section 27 (1), dealing with an employer's return of employees, where the employee has no liability.

From sins of omission, the Finance Bill proceeds to sins of commission. Clauses 44 and 45 impose penalties for incorrect returns or accounts submitted either fraudulently or negligently. An ingredient in the computation of the maximum penalty is the difference between the amount of tax payable for the 'relevant years' of assessment and the amount which would have been payable if the return or other document had been correct. This is the formula laid down by clause 46 (1); one would have thought that the tax 'payable' would be the same whether the returns were correct or not, and it is open to the hard-pressed taxpayer to take this point.

The sub-clause provides for the inclusion, in the tax 'payable', of the tax suffered by deduction and not recoverable. Sub-clause (2) provides that surtax is also to be included, except that in relation to anything done in connection with a partnership, tax not charged in the partnership name is excluded. The expression 'relevant years' means the tax year in which the offence is committed, the one before, and the one after, i.e. three years in all.

Clause 44 (1) provides that where a person fraudulently:

- (a) delivers any incorrect return or statement of a kind mentioned in any of the provisions specified in the first column of the Fifth Schedule; or
- (b) makes any incorrect return, statement or declaration in connection with any claim for any allowance, deduction or relief; or
- (c) submits to the Inspector or any Commissioners any incorrect accounts in connection with the ascertainment of his liability to income tax,

he shall be liable to a penalty not exceeding the aggregate of £50 and twice the difference mentioned above. Clause 45 (1) imposes the same penalty where any of these things is done negligently, except that the difference mentioned above is taken into account once only, and not twice. No definition is given of 'fraudulently' or 'negligently'. In both cases the fraud or negligence must presumably have some connection with the incorrectness of the return or accounts. It would seem that the taxpayer who submitted an incorrect return would be doing so fraudulently if he knew it was incorrect, or if he did not believe it to be correct, or if he submitted the return recklessly without caring whether it was true or false. This is the substance of the well-known definition laid down by LORD HERSCHELL in *Derry v. Peek* (14 App. Cas. 337, 374). As regards negligence, the taxpayer clearly has a duty to take care that his returns are correct. If a return is incorrect it would seem that in practice the onus would lie on the taxpayer of proving that he was not negligent, e.g. that he gave all necessary information to his accountant who filled up the return, or prepared the accounts, for him.

Clause 44 (2) imposes a penalty not exceeding £500 on a person who fraudulently gives, produces or makes any incorrect information, certificate, document, record or declaration of a kind mentioned in any of the provisions specified in column 2 or 3 of the Fifth Schedule. Clause 45 (2) imposes a penalty of £250 where this is done not fraudulently but negligently.

In the debate in committee on these clauses, fears were expressed that if a return contained two incorrect statements, one due to fraud and the other to negligence, such return might attract double penalties. The spokesman for the Govern-

ment doubted such a possibility but agreed to look into it before the report stage.

If a person submits a return, accounts, etc., which are incorrect, without doing so either fraudulently or negligently, but it comes to his notice (or to the notice of his personal representatives if he has died in the meantime) then unless the error is remedied without unreasonable delay, the return etc., will be treated for the purposes of clause 45, as having been made or submitted negligently (clause 45 (3)). Moreover, any accounts submitted on behalf of a person will be deemed to have been submitted by him, for the purposes of clauses 44 and 45, unless he proves that they were submitted without his consent or connivance (clause 46 (3)).

A person who assists in, or induces the making or delivery for any purposes of income tax of any accounts, statement, or declaration which he knows to be incorrect is made liable, by clause 47 to a civil penalty of £500. This is the same penalty as under existing law. Answering Opposition criticism that it ought to be more, THE ATTORNEY-GENERAL told the House of Commons that this penalty was seldom invoked. Those who assisted taxpayers to make returns were usually accountants and where accountants knowingly assisted in making fraudulent returns the right course was not to proceed for a civil penalty but to prosecute under the criminal law. It was difficult to visualize a case where someone knowingly assisted in the preparation of an inaccurate return without doing so fraudulently, but if there was such a case the Government thought that a maximum penalty of £500 was enough.

The procedure for recovering income tax fines and penalties is considerably amended by clause 52. Sub-clause (1) lays down the general rule that no proceedings are to be commenced except by order of the Commissioners of Inland Revenue. However, sub-clause (4) permits an Inspector to bring proceedings, without such an order, before the General Commissioners (in Ireland the Special Commissioners), for a clause 43 (1) penalty, in which case the penalty awarded must not exceed £50. If proceedings are not instituted in England, Wales or Northern Ireland under the Crown Proceedings Act, 1947, in the name of the Inland Revenue as an authorized department, they must be brought in the name of an officer, or in the name of THE ATTORNEY-GENERAL (in Scotland THE LORD ADVOCATE). (To be concluded.)

The Arithmetic of Contracting Out

by WILLIAM PHILLIPS
Author of *Pension Scheme Precedents*

SULLIVAN, in his entertaining book *The Last Serjeant*, tells the story of an Irish policeman giving evidence in a County Court case about a pony which took fright at some laundry drying in the wind which 'blew them out into all sorts of square shapes', who on being judicially interrupted by the remark 'There is something about that in Tacitus, *omne ignotum pro magnifico*', commented, 'Your honour just took the word out of my mouth'.

Confusion of Thought

It is difficult not to feel that the botch of legislation known as The National Insurance Act, 1959, and the scheme which underlies it, was designed by the Government with that same thought in mind, that 'all that is strange looks magnificent'. Unfortunately the magnificence has been gained only at the expense of muddling those who are at present considering, explaining, and arguing about the merits and demerits of contracting out; that this confusion of thought exists particularly in regard to the arithmetic can be sufficiently shown by four examples:

(1) It was at first supposed, not only by commentators but also in official circles, that there are fifty-two weeks in a year, so that the increase in pension which would be secured by an employee consistently in receipt of £15 a week or over (and which must be provided for every employee contracted out, however low his income) would be arrived at by multiplying by the number of years and finally by 52. Then someone discovered that there is one more day in a year than 52 times 7, and figures were widely circulated based upon a multiplier of 52 1/7th, namely 52.14 to two places of decimals. The arrival of the current year, however, brought leap years to mind and all the amended figures had to be scrapped in order to use a multiplier of 52.18. Unfortunately, we have not yet progressed to the point where errors printed in books, pamphlets, and articles automatically correct themselves when those errors are pointed out subsequently, and one wonders how long it will take to live down the wrong figures.

- (2) An old established and highly respected insurance periodical twice incorrectly informed its readers in the same article that 'maximum graduated benefits under the state scheme are £2 6s 2d per week (for males)' for forty-seven years' service. (The correct figure is, in fact, £2 1s 6d, although the figure of £2 6s 2d does come into the story; as will presently be seen, it is the amount of *annual* pension at age 65 for *each year* of contracted-out service.)
- (3) The Inland Revenue, having thoughtfully considered the amount of trouble which the figure of £2 6s 2d might cause administrators, were good enough to intimate that they would not object to a larger frozen benefit being preserved, notwithstanding that a discontinuing member was also given a refund of part of his own contributions, and fixed upon a maximum at the round figure of £3, but unfortunately startled the world by referring to this as £3 *per week* pension for each year of contracted-out service.
- (4) Later, mindful that from many schemes pensions are paid weekly, the Inland Revenue raised the maximum pension which may be preserved in a private scheme, partly by means of the employer's contributions, while at the same time refunding to the employee the balance of his own contributions, to £3 5s 0d per annum for a man and £2 12s 0d for a woman, these figures representing 1s 3d a week and 1s a week respectively for each year – stated by the Inland Revenue to be each year of 'service', although one suspects that they mean each year of membership. It is to be hoped that the Inland Revenue will close their eyes to the fact that in approximately one year in six the weekly figures mentioned will amount to £3 6s 3d per annum and £2 13s 0d per annum respectively.

The story of the ledger clerk who throughout his life was repeatedly seen by his colleagues to be consulting a secret note from his waistcoat pocket, is too well known to be repeated here; the purpose of this article is to lead up to a schedule which may conveniently be kept in

one's waistcoat pocket and consulted whenever there is any danger of becoming confused by the figures £2 1s 6d and £2 6s 2d, and other key, and curious, figures in this peculiar legislation.

The Scheme's Real Purpose

It is thought by some to be a symptom of *pro magnifico* that the Act relates the *quantum* of increased pension to the *quantum* of supplementary contribution, notwithstanding that the supplementary contributions are to be increased quinquennially without effecting any addition to the increased pension. An unkind critic has, indeed, suggested that this absurdity was perpetrated deliberately, in the hope that it would make the public think that the supplementary contributions were to be used to provide the increased pensions, whereas the truth, as we well know, is that they are to be used towards the payment of current pensions, leaving our children and grandchildren to pay for the increased pensions of those who now pay the increased contributions. Not for a moment would the present writer impute such clever subtlety to any politician; when he reflects that a straightforward legislative prescription would have taken the simple course of relating the increased pension to the wages on which the supplementary contributions are to be calculated, a relationship which will remain unaltered as and when the quinquennial contribution increases are made, the present writer prefers to remind himself of the apology once tendered by a senior barrister to the Court of Appeal, on behalf of a young advocate who had been heard by their lordships to say that their decision had surprised him.

'He is extremely penitent, and you will kindly ascribe his unintentional insult to his ignorance. If he had known your lordships but half as long as I have done, he would not have been surprised at anything you did.'

Turning now to the extra day in each year, and the further extra day in each leap year, it will be recalled that before the National Insurance Bill was published a pamphlet was issued outlining the proposed scheme, and inviting suggestions; that thereupon a large number of busy experts spent a great deal of time formulating suggestions, unaware that none of them could be adopted for the sufficient reason that the Bill was already in course of being set up in print; that the pages of *The Accountant* advanced the suggestion that weekly computation should, like the income tax, be restricted to a tentative cumulative process, the figures for both contributions and supplementary pensions being finally

determined by reference to the total earnings in the fiscal year; that a number of important advantages of such annual computing were pointed out; that no one ever advanced any argument against annual computing, other than that some complication would arise whenever an employee changed his employer during the course of the fiscal year, to which it was replied that such a change of employment would not be without its complications even on a basis of weekly computations.

Complications of Weekly Computing

Now regulations, and draft regulations, and outlines of proposed draft regulations, are descending upon us in showers, reminiscent of the deluge of 'standing orders' which bedevilled our lives when we became 'temporary gentlemen' in whichever of the Great Wars we call 'our war' (and without the satisfaction of being able to apply thereto the expressive, though impolite, term which the Services – or at any rate the military service – relieved their feelings by applying to all this 'paper'), so that now we are discovering some of the complications which are inherent in weekly computing – and which would not have occurred if graduated contributions had depended upon that same annual remuneration which determines P.A.Y.E. – such as the four weeks (sick), two weeks (unpaid holiday), two weeks (strike), twelve weeks (unpaid compassionate leave¹) of the appendix to the currently circulating Explanatory Memorandum of the Preliminary Draft of the National Insurance (Non-participation – Assurance of Equivalent Pension Benefit) Regulations, 1960. Such, also, as the

'individuals who are in more than one contracted-out employment at the same time',

which paragraph nine of that sixteen foolscap-page document tells us will require 'rules necessarily of rather a complex nature'. But, in particular, as anyone who has had any experience of workers' pension schemes or of industrial life insurance must have foreseen, the insistence upon weekly computing has inevitably led to arithmetical complications in a world which does not have the good grace to revolve around the sun while revolving on its own axis in such wise as to produce 364 days, namely, exactly fifty-two weeks, every year.

Fortunately, so far as contracting out is concerned, we can short-circuit all the rodomontade about

'equivalent pension benefits, namely benefits pay-

¹ Not very 'compassionate' if unpaid!

able from minimum pension age at a rate equal to the maximum graduated pension that could have been built up in the National Insurance Scheme in a corresponding period of time'.

This does not tell us anything until we have translated it into figures, and once we have so translated we can dispense with the verbal rigmarole. Unfortunately, Parliament in its wisdom has so prescribed the benefits that they amount to the inconvenient totals of £2 1s 6d a week pension at 65 for a man contracted out for the maximum period of forty-seven years, namely, from age 18, and £1 11s 0d a week pension for a woman contracted out for the maximum period of forty-two years; and reduce to the uncomfortable form, to two places of decimals, of 10.61d a week pension, at age 65, for each year a man is contracted out, and 8.84d a week pension, at age 60, for each year a woman is contracted out.

Equivalent Pension Benefit (EPB)

However, once we have cured ourselves of the belief that there are fifty-two weeks in a year, or even, 52.14, and have fastened upon the correct figure of 52.18, by multiplying thereby the peculiar weekly *quantum* of pence, we arrive at £2 6s 2d per annum 'equivalent pension benefit' (EPB) for every year a male employee is contracted out, and £1 18s 6d per annum EPB for every year a female employee is contracted out.

It is unlikely that those responsible for deciding upon the provisions of a pension scheme would be attracted by the idea of a rule which prescribed a minimum pension provision at retirement age which varied with the member's age of entry into the scheme, and except where the employer intends to contract out only members above some age greater than 18, the minimum provision of universal application will be forty-seven times £2 6s 2d per annum for men (where forty-seven is the difference between 65 and 18) and forty-two times £1 18s 6d for women (whose retirement age must be taken as 60). These multiplications produce minimum pensions of £108 9s 10d (or, say, £109) per annum for men and £80 17s 0d (or, say, £81) per annum for women.

Pensions Paid Weekly

Oh, but, someone will say, in our pension scheme we pay pensions weekly. Very well, divide by 52.18 and we get approximately back to minimum weekly pensions for maximum contracted-out service of £2 1s 6d for men and £1 11s 0d for women. Naturally we can arrive (almost) at the same results by multiplying 10.61

by 47 and 8.84 by 42, and reducing the pence thus found to pounds, shillings and pence, and for this purpose, for obvious reasons, we do not need to know how many weeks there are in a year.

There are some pension schemes which prescribe a minimum pension of £100 per annum and others which prescribe a minimum pension of £2 a week, and to ascertain the minimum age at entry for which members can be contracted out we have merely to divide £100 by £2 6s 2d and 480 pence by 10.61, and subtract the quotient from 65, for obviously the female members can be contracted out from the minimum age of 18. The quotients to the next lower integer are found to be 43 and 45, respectively, so that all males can be contracted out whose age when membership commenced was 22 in the first case, and 20 in the second case. For pension schemes where the minimum pensions are less than £109 per annum, but other than £100 per annum or £2 a week, the same process will determine the earliest permissible entry ages for contracting out.

Thus, on incorporating the figures for the 'payment in lieu' (PIL) which can be made to the National Insurance Fund, instead of preserving an EPB, when a contracted-out employee ceases to be contracted out before retirement age, we finally arrive at our pocket reminder:

	Male	Female
Latest age at which equivalent pension must be provided	65	60
Minimum pension at that age for employee contracted out since age 18	£109 p.a. or £2 1s 6d a week	£81 p.a. or £1 11s 0d a week
EPB at 65 (60) for each year contracted out	£2 6s 2d p.a. or 10.61 pence a week	£1 18s 6d p.a. or 8.84 pence a week
EPB at 65 (60) for each week of a broken year contracted out	10.61 pence p.a.	8.84 pence p.a.
PIL of an EPB payable to the National Insurance Fund for each week contracted out	7s 4d	8s 11d
	To ascertain the PIL p.a. these figures are not to be multiplied by 52.18 but 52 or 53 as the case may be, according to the number of 'pay-days' in the year	
Earliest age at entry to scheme for contracting out all employees if minimum pension is:		
£100 p.a. ..	22	18
£2 a week ..	20	18

'Stately Home' Accounts

by D. E. BOSTOCK-SMITH, F.C.A.
Internal Auditor, The National Trust

MANY a 'stately home' these days is open at certain times to the public, a small charge in most cases being made for admission. Now whether the proceeds are devoted to charity or go into the pockets of the owners, it is only prudent that the matter should be on a sound accounting basis.

There is nothing complicated about the records; there may be the question of overcoming prejudice, but as well as being unwise to ignore safeguards which the commercial world has devised for its own protection, it is well to remember that people who handle cash are entitled to records that prove their honesty.

First, however, a glance at those cases where the showing is very restricted and often conducted by tenants or others who assist largely out of affection for the place. Such people may save considerable labour charges, and there is no point in losing their goodwill to prove the existence of, say, a few postcards. In such cases, with very small figures involved, it may be wise to make no attempt to prove the stock and cash.

At the larger houses, entrance fees are usually controlled by sales of numbered tickets; the cash statement (daily or weekly) will indicate opening and closing numbers at each price, and cash collected will be credited to the house 'admissions' account in the nominal ledger.

With sales of literature and postcards much depends on the varieties of stock. If there is a great number one cannot hope to keep track of individual stocks; but if there are only about half a dozen it is worth being fairly precise.

The cash statement can be drawn up to indicate the commencing numbers of each stock in the same manner as ticket numbers. Closing numbers will indicate sales, which – together with admissions – should tally with the cash. This does not involve a recount of the whole stock every day; providing the person in charge puts out a limited but regular supply of each article daily, there will be no difficulty at arriving at the stock figure. There should be columns for intake, and for issues made free for publicity and other purposes.

In the nominal ledger, sales of literature have a separate account – in effect, a trading account. With stock entered at cost, it should reveal a gross profit proportionate to sales and free issues.

The cash statement may also provide for

payments out of cash, obviating the need for a separate petty cash account, but in such cases it is essential to provide a cash float adequate for all reasonable contingencies. This ensures that net cash is banked intact, in accordance with the statement of which a simple form is as follows:

<i>Admissions</i>				£	s	d
Last ticket number	..	9,821				
First ticket number	..	9,201				
Number sold at 2s each	..	620		62	0	0
<i>Literature</i>						
Guide books on hand at beginning	..	500				
Guide books on hand at end		400				
Number sold at 1s 6d each		100		7	10	0
TOTAL RECEIPTS						
<i>Reimbursement of float for expenses:</i>						
Postage	..	1 0 0				
Petty cash	..	12 6		1	12	6
				67	17	6
<i>Banked:</i>						
June 1st	..			45	0	0
June 3rd	..			22	17	6
				£67	17	6

People untrained in figures are liable to be confused by unwieldy or overcrowded forms, and it may be worth while in the larger houses to divide the cash statement. In that case, one form may be devoted to literature etc. and another to admissions, expenses, and a summary of bankings.

One practical point: counting leaflets and postcards is more tedious and time-wasting than is usually appreciated; while they remain wrapped in bundles there is no problem, but it may be easier, and just as reliable, to weigh loose cards on letter scales than to count them.

Finally, what kind of accounting system can be set up to control the contents of the house – often immensely valuable? It is tempting to think in terms of a capital account, equipment register and so on, all tying up with purchases and sales; but it simply is not feasible. Old family portraits do not wear out, to be replaced by new ones! The loss of one of a pair of vases diminishes the value of the other. So the accountant steps aside in favour of an inventory maintained by someone with technical knowledge of such objects.

Weekly Notes

Birthday Honours

IT is with pleasure that we offer our congratulations to those members of the profession whose names appeared in the Birthday Honours List.

Mr W. H. McFadzean, C.A., President of the Federation of British Industries and chairman and managing director of British Insulated Callender's



Mr W. H. McFadzean

Cables Ltd, becomes a Knight Bachelor and five members of the profession receive the O.B.E. They are Mr E. R. Arrigo, F.C.A., senior partner in the firm of Arrigo, Bisset & Co, Chartered Accountants, of Malta, G.C., for public services in the island; Mr E. F. Madams, F.C.A., a partner in the firm of Whinney, Murray & Co, Chartered Accountants, Middle East; Mr H. Campbell Scarlett, J.P., C.A., managing director, The Dundee Linoleum Co Ltd, for political services in Dundee; Mr R. Statham, J.P., F.A.C.C.A., a member of the Council of The Association of Certified and Corporate Accountants and senior partner in the firm of Statham & Co, Certified Accountants, of Newcastle under Lyme, for political and public services in Newcastle under Lyme, and Mr R. L. Wyllie, D.L., J.P., F.C.A., chairman of the West Cumberland Industrial Development Co Ltd and senior partner in the firm of R. L. Wyllie & Co, Chartered Accountants, of Whitehaven.



Mr R. Statham

The O.B.E. has been awarded to Mr F. H. Davey, F.C.A., Accountant-General, Commonwealth Relations Office; Mr J. F. Greaves, F.C.A., President, British Chamber of Commerce, Belgium, and a partner in the firm of Cooper Brothers & Co, Chartered Accountants, of Brussels; and to Mr G. Theaker, F.C.A., secretary, John I. Jacobs & Co Ltd, for services to trade in the island of St Helena.

The M.B.E. has been awarded to Mr W. S. Gavin, M.C., C.A., a partner in the firm of J. A. McLaren,

& Gavin, Chartered Accountants, of Edinburgh, for services to the Boys' Brigade in Leith, and to Mr C. H. Huntley, F.M.I.T.A., clerk and chief financial officer, Penrith Urban District Council.

We also extend our congratulations to Mr Frank Bower, C.B.E., President of The Association of British Chambers of Commerce, and to Mr Edward George Tucker, LL.B., Controller of Death Duties, Board of Inland Revenue, who become Knights Bachelor.

Municipal Treasurers' New President

MR A. L. A. WEST, O.B.E., F.I.M.T.A., was installed as President of The Institute of Municipal Treasurers and Accountants on Thursday, at the conclusion of the Institute's seventy-fifth anniversary conference held in London and reported elsewhere in this issue.

Mr West, who is treasurer of the North West Metropolitan Regional Hospital Board, was educated at Woolwich Polytechnic School. After a short period in industry on leaving school, he joined the Woolwich Metropolitan Borough Council in 1920. In the following year he left Woolwich to join the county accountant's department of the Middlesex County Council. He was admitted an Associate of the Institute in 1927 and became a Fellow in 1948, in which year he left the Middlesex County Council to take up the appointment of treasurer of the newly-formed North West Metropolitan Regional Hospital Board, the position he still holds. He has served as honorary secretary of the committee of Regional Hospital Board Treasurers and as the nominee of the Ministry of Health to the finance committee of the General Nursing Council and of the Council and Executive Committee of the Federated Superannuation Scheme for Nurses. He was awarded the O.B.E. in 1953.

Mr West joined the Council of the Institute in 1951 as a co-opted member representing the hospital service. For many years prior to this he had interested himself in the work of the Institute as a member of the executive committee of the London Students' Society. He also served as honorary treasurer of the Society and in 1956 was elected its President.

When he is away from his office, Mr West likes to play golf and is interested in photography.

Can I Become a C.A.?

THE answer to this question which many young Scotsmen, among others, ask themselves is sometimes obscured by not knowing for certain



Mr A. L. A. West

what is involved in the process. To remove any preliminary doubts in this direction, the Council of The Institute of Chartered Accountants of Scotland have just issued a booklet for distribution to schools and universities which, in words succinct, answers such leading queries as: What does a chartered accountant do? Am I the kind of person to make a good chartered accountant? What would my prospects be? How do I become a chartered accountant? and What does it cost to become a chartered accountant? The text is factual and forthright and tells the potential apprentice all that he needs to know for a start.

If after studying this booklet the young man in search of a career decides to venture into the profession, his next reading is the *C.A. Apprenticeship Guide*. The second edition, now to hand, gives detailed information – not hitherto available – about the new training scheme and, for apprentices just beginning, a revised appendix dealing with preliminary qualification requirements is of special importance. Another appendix gives notes by the examining board on the types of questions which Paper I (Accounting Principles and Problems) of Part V of the new examination syllabus will contain.

As always in a transitional period of this kind, there must be a number of individual exceptions to every new rule and apprentices are advised, in their own interests, to avail themselves of the ready help of the Institute secretariat, the local secretaries and the directors of studies on any particular point which the guide, definitive although it appears to be, may not cover.

Examination in Management Accountancy

THE Institute of Cost and Works Accountants has changed the title of its Fellowship examination to 'The Examination in Management Accountancy' and reduced the minimum age of entry from 25 to 23 years.

Successful candidates will still require three years' practical experience of cost accountancy and five years in a responsible position in management accountancy before becoming eligible for election to fellowship but instead of having to acquire the three years' costing experience prior to taking the examination, they will now be permitted to do so afterwards. (The three- and five-year periods may be concurrent.) The previous arrangement, it is believed, served as a deterrent to many potential candidates for fellowship.

As a result, provided they are 23 years of age or over, the following are now eligible to take the examination:

- (1) Associates of the Institute.
- (2) Members of The Institute of Chartered Accountants of Scotland; The Institute of Chartered Accountants in England and Wales; The Institute of Chartered Accountants in Ireland; The Association of Certified and Corporate Account-

ants; The Institute of Municipal Treasurers and Accountants; and certain overseas bodies of accountants.

- (3) Registered students of the Institute who have passed the Final examination.

The syllabus remains unchanged. It includes management accounting; advanced cost accountancy; company law; management – factory and distribution; statistics; economics. Candidates will continue to be entitled to certain exemptions according to the examinations they have previously passed.

Polemic on Pensions

THE Government scheme is an effort to patch up the consequences of fifty years of State pensions by foisting on the nation another fifty years of State pensions. It was conceived in fear, composed in haste, adopted in ignorance. It is a paper plan that could hardly last five years, much less fifty, in its present form; it had best not be begun.' This final passage from the latest Hobart paper of the Institute of Economic Affairs entitled *Pensions for Prosperity*,¹ reflects the author's style as well as his approach to the formulation of a pensions policy appropriate for an expanding and increasingly prosperous economy. According to the author, Mr Arthur Seldon, in such conditions the need for universal State retirement provision is unnecessary; it is much more appropriate that the vast majority of the citizens should be encouraged to make their own arrangements for retirement. Then the State could concentrate on helping the small minority which will always be with us, which either because of its ignorance or improvidence must fall back upon the community for aid. The present-day tendency for the younger generation to throw the cost of maintaining its aged relatives on to the community is criticized by Mr Seldon and he suggests larger tax benefits for those who maintain dependent relatives.

The main points of the pamphlet are that employers should be encouraged to an even greater extent than at present to set up pension funds for all their employees, and that the possibilities and advantages thereof for the employee should be more widely publicized. At the same time, Mr Seldon suggests that the State scheme should be wound up and the resultant relief from taxation would facilitate the provision by individual citizens of suitable pension rights. Many of the author's trenchant criticisms are justified but he appears unduly optimistic about the practical possibilities of his proposals. For example, would employers be prepared to meet the substantial cost of providing adequate pensions for their lower-paid workers; after all, the latter will not gain all that much if Government expenditure is cut. If, however, Mr Seldon's pamphlet stimulates further discussion of this controversial issue, it will have achieved its object.

¹ Hobart Paper No. 4, by Arthur Seldon. Barrie & Rockcliff, London. 3s 6d net.

The Law Society Criticizes Estate Duty

THE annual report for 1955-60 of the Council of the Law Society reveals that the Council in April submitted a memorandum to the Chancellor of the Exchequer calling for reform in estate duty law, in particular a consolidation of the legislation now scattered over some sixty Acts beginning with the Finance Act, 1894. The Council thinks that probate should be granted on production of the will and the oath of the executors, and that estate duty should not be payable until the expiration of a fixed period after the death. The present system of requiring payment on production of the Inland Revenue affidavit only works because the banks are willing to lend money to the personal representatives. Duty on the value of shares in private companies should be spread over eight years or until realization, the first instalment being payable two years after the death. Assets basis of valuation should be compulsory only if the deceased had effective control of the assets within five years before his death; and the costs of realization should be allowed. Personal representatives should have the option of paying duty on the value of assets generally either at the death, three months after death, or on the sale proceeds if sold within three months after death. Administration expenses should be deductible from the value of the estate. Duty on freehold property should be payable out of residue as a testamentary expense. Where a partnership owns agricultural or industrial assets, the reduced rate of duty should apply on any partner's death, whether or not his share in such assets pass *in specie*.

Surtax Deterrent

THE Isle of Man Income Tax Commission recommends the abolition of surtax there at the earliest opportunity. It says (according to *The Times* of June 8th, 1960) that if few residents with large incomes are attracted there the tax yield, both from them and from the increased profits of local tradesmen, would be considerable. The report of the Commission adds that the Isle of Man has fallen behind Jersey and Guernsey (where there is no surtax) in its efforts to attract the wealthy.

Surtax was introduced in the Isle of Man in 1939-40 when twenty-nine people contributed £21,119. Yield in the current year is estimated at £85,000. Surtax begins at incomes of £2,500 and rises to 7s 6d on incomes over £7,500; this against a standard rate of income at of only 4s 6d. One member of the Commission did not sign the main report; he said he would support the recommendation provided there was a corresponding increase in the income tax charged on those who would escape the surtax.

Surtax was abolished in Guernsey in 1952-53, since when taxable income there has increased and a shortage of houses has developed. Sark has no income tax at all; apart from a small tax on property, akin to rates.

Clearing Out of London

THE apparently simple process of drawing a cheque on one's bank sets in motion behind the scenes an elaborate mechanism of sorting and clearing. The activities of the clearing house in London, which acts as a common exchange centre, are well known but, in addition, each bank has its own inter-branch clearing to organize. This domestic exercise, subsidiary as it may be in size to inter-bank transactions, is nevertheless considerable in itself. Barclays Bank, for example, has 2,250 branches and each year cheques drawn on one and paid in at another branch total 50 million. These were formerly cleared in London but rent and space considerations in the City, as well as staffing problems, have resulted in the bank erecting a modern building in Northampton which is now its branch clearing house.

The premises, which were officially opened on Tuesday by Dame Evelyn Sharp, Permanent Secretary to the Ministry of Housing and Local Government, have been specially designed for the purpose and, as well as being functional, include delightful social amenities in the form of a dining room and a sun lounge overlooking tennis courts and gardens. The staff of about one hundred includes a number of trainees who will in due course operate the branch credit clearing in the same building.

Investing in the E.C.M.

A USEFUL booklet has been issued by The Association of British Chambers of Commerce called *Aids to Investment in the European Economic Community* (price 2s 6d). As the booklet points out in its introduction, the protracted negotiations between the European Economic Community and the European Free Trade Association leave British industry with a period of uncertainty which frustrates the planning of future trade and investment. Members of the European Common Market have publicized their concessions and inducements for investment to industry in the United States but although they do not discriminate against British capital there has been no organized publicity in this country to attract British investment. This booklet will do much to fill the gap in information about the advantages and disadvantages of investing capital in the E.C.M. area.

Each member country of the E.C.M. is examined in turn and information succinctly set out on the nature of Government aid, the existence or non-existence of discrimination against foreign capital and the taxation position on funds invested from abroad. The taxation position accounts for most of the space in the booklet. The largest section of taxation concerns France. The reader will find here set out briefly but clearly the main types of French taxation with the percentage levied and the deductions which may be made in duties and taxes. The booklet points out that the information is liable to frequent change and that it can deal only with the taxes at present in force.

• • Merchant Banking History

FAMILY connections in New York, Philadelphia and Baltimore enabled William Brown in the early years of the last century to set up in Liverpool the business which is now known as Brown, Shipley & Co Ltd. Among its first ventures was the introduction of circular letters of credit to customers. It also became the principal shippers of cotton to the Lancashire mills and took a leading part in the financing of trade between the United Kingdom and America. The credit banking and foreign exchange activities developed so rapidly and to such an extent that the firm eventually sold its fleet of ships and concentrated on merchant banking.

In the course of its 150 years' history, the business has ridden many storms. Among these was one in

1837 when Joseph Shipley, another Liverpool merchant, came to its rescue. In recognition of his services on that occasion, he was assumed as a partner and his name was added to that of the firm. In 1863, London became its headquarters when premises were obtained at Founders' Court, within the shadow of the Bank of England. In 1946 it became a limited company and this year the new holding company was granted a quotation for its shares by the Stock Exchange.

Initiative and integrity are essential to every great finance house and these qualities shine forth from the pages of the very able history of this enterprise which has been written for private circulation by Mr Aytoun Ellis.¹

¹ *Heir of Adventure*. The story of Brown, Shipley & Co, Merchant Bankers 1810-1960.

This is My Life . . .

by An Industrious Accountant

CHAPTER 29

YOU know, you never know with directors.

Early yesterday, I got a peremptory phone call from Prinny, our fat personnel director, to sack our junior typist at once for gross insolence to an important customer. Prinny rather tends to avoid the mental stress of unpleasant interviews, preferring to delegate them, but he was coming down to sign the dismissal docket.

My case was weak enough, but it was worth fighting. The culprit had been out in a department on a message and a hasty dowager, mistaking her for a counter-assistant, had insisted on being served. Word on word lent fuel to fire, as Scott says, and feminine reactions are proverbially dynamic in such cases, so the insolence was unfortunately a fact. But there were extenuating circumstances. The customer was arrogant and tactless, I claimed, and the typist only an inexperienced youngster. My office staff should not be considered, strictly speaking, as being on duty outside the office. A suspension should meet the case. . . .

Prinny would have none of it. Impertinence was inexcusable, the customer had complained bitterly, the deputy chairman had insisted on strictest penalties . . . really, he was most surprised at my attitude. It was with very bad grace that I made out the docket.

Name, so and so; address, such and such; born, 1944 . . . 'Nonsense', interrupted my man, 'she couldn't have been born in 1944'. He looked at the slip. 'I never thought they grew up so fast . . . the 1944 vintage . . . birthday June 6th, 1944 . . . you know, that was quite a day'. He lapsed into the national trait of inarticulate jargon. 'It was rugged

that day . . . they threw everything they had at us . . . some good lads went for a Burton.'

I agreed that she must have passed some good types going out as she came in, and he waxed reminiscent. 'Pal of mine, Dusty, used to talk about making things better for the coming generation, Brave New World stuff . . . he copped it that day, 'poor beggar . . . he pulled me out of real trouble once . . . seems only yesterday.' Prinny looked through the glass partition and for the first time saw his victim sitting outside, eyes red from crying, but with her chin up defiantly, going down with colours flying.

'Dusty was always on about helping those youngsters,' he started, and then a whole welter of emotions chased across his face.

He glared at me belligerently. 'She's only a kid; do you have to sack her?' Taken thus in flank, I thought it wiser not to recap our own discussion and instead referred to the deputy chairman's views. Prinny dialled the interphone with sudden decisiveness. There was a new hard jut to his chin as he spoke: 'That you, Bloke? . . . About that girl . . . I've decided that suspension will meet the case.' There was a startled splutter of remonstrance clearly audible, but he cut it short. 'No . . . No . . . Suspension . . . 'Bye.'

He turned to me with a quick impression of a North Sea gale driving over steel decks. 'See her and let her down light; she's had enough. And draft some notes for a staff development programme, lectures, rotational training . . . distinctive overalls for the girls.' His basic instincts struggled for recognition. 'Nothing too expensive, mind you.'

I couldn't help it, it came out, 'Aye, aye, sir. Jolly good show, sir,' and Prinny suddenly became self-conscious, and went out grinning broadly, but still with a sort of quarter deck stride. He's reported to have had a crack naval record before he came back to the flesh-pots and went soft; maybe this new development programme will train up more than the original estimate.

Finance and Commerce

Every Three Years

THE reprint this week features the accounts of Babcock & Wilcox Ltd, whose boilers are raising steam and producing power all over the world. The company is also making its contribution to the plant of the modern atomic energy power stations, providing the giant cranes and those great ball-shaped welded steel containers that dominate the atomic energy stations. One at Windscale is 150 feet high.

In his report with these accounts, Mr W. Lionel Fraser, C.M.G., the chairman—who is also the head of the private banking house of Helbert, Wagg & Co Ltd—refers particularly to the accounting difficulties of companies engaged in large-scale long-term contracts. Where contracts take years to complete and where such huge sums are involved, he says, precise profit assessments cannot be given over short periods. For the Babcock group to attempt, for instance, to provide six-monthly figures would be both 'inappropriate and misleading'. 'Indeed', says Mr Fraser, 'I sometimes think that stockholders would be able to make a more balanced judgment of the position if we were permitted to present our results, say, once every three years instead of annually'.

Excess Capacity

One of Mr Fraser's big headaches at the moment is in the work connected with the nuclear power stations. In this field of construction, the engineers are exploring new territory in which costing is difficult. Expressing the directors' regret at having again to report an adverse result, he says 'the major burden has resulted from the vast problems relating to the rapid emergence of atomic energy for power purposes'.

There is, however, the basic fact that 'there is excessive capacity in the boiler industry', added to which, says Mr Fraser, has been 'heavy additions to labour charges and depressing interruptions in the rhythm of production from strikes'. 'Go-slow' and 'wild-cat' tactics 'have caused both a substantial loss of production and have contributed to our uneconomic results'.

Mr Fraser, in his last address to shareholders as chairman, says the company cannot alter the conditions with which the boiler industry is faced today—the fierce competition, the cripplingly low margins of profit and the present unhappy labour situation. He hopes to see this 'frustrating state of affairs' overcome by the maintenance of highest standards of work and service.

BABCOCK & WILCOX LIMITED AND SUBSIDIARY COMPANIES

Notes on the Accounts

- (1) Capital expenditure sanctioned by the Board and outstanding at 31st December, 1959, amounted to approximately £361,000 for the parent company and to approximately £81,000 for the group. Contracts placed against these sanctions and not provided for in these accounts amounted to approximately £159,000 for the parent company and to approximately £315,000 for the group.
- (2) Currencies applicable to balance sheet and consolidated balance sheet—fixed assets have been converted at the rates ruling at date of acquisition and current assets and liabilities at the rates ruling at 31st December, 1959.
- (3) There are contingent liabilities for guarantees given amounting, in the case of the parent company, to £2,400,000 and to £2,906,000 for the group. No losses are anticipated on these guarantees.
- (4) There are contingent liabilities on both balance sheets of £91,000 and Pesetas 53,359,800 (equivalent to £33,000) in respect of trade investments, being the amounts of uncalled capital. It is anticipated that the liability in Pesetas will be liquidated in that currency, over a term of years, from funds arising in Spain.
- (5) There is a contingent liability on both balance sheets amounting to Rupees 13,446,000 (equivalent to £1,000,000) under an agreement to subscribe for shares in ACC-Vicker-Babcock Limited.
- (6) There are contingent liabilities amounting to approximately £117,000 in respect of compensation to employees under the labour laws of certain overseas countries.
- (7) The accounts of the subsidiary companies are made up to 30th September, 1959. The Directors do not consider it practicable to alter the date to coincide with the parent company's accounts.
- (8) The undistributed profit of the overseas subsidiary companies is liable to United Kingdom taxation, if distributed as dividends.

Statement of Movements in Reserves

	Consolidated Balance Sheet.		Balance Sheet.	
	£	£	£	£
Additional Depreciation towards Replacement Values:—				
Balance 31st December, 1958, and 31st December, 1959		4,983,983		3,863,026
Other Capital Reserves:—				
Balance 31st December, 1958 ..	1,558,638			
Add: Adjustment on consolidation ..	90,623			
		1,649,261		
Deduct: Differences in exchange ..		213,880		
Balance 31st December, 1959 ..		£1,435,381		
General Reserves:—				
Balance 31st December, 1958 ..	8,341,296		5,350,000	
Add: Transfers from Appropriation Accounts		377,940		
Transfer from Special Research and Development Reserve		2,034		
		8,721,270		
Deduct: Differences in exchange ..		358		
Balance 31st December, 1959 ..		£8,720,912		£5,350,000
Contingencies Reserve:—				
Balance 31st December, 1958, and 31st December, 1959		£1,250,000		£1,250,000
Special Research and Development Reserve:—				
Balance 31st December, 1958 ..		689,189	687,155	
Deduct: Expenditure 1959 ..	306,643			306,643
Transfer to General Reserve		2,034		
		308,677		
Balance 31st December, 1959 ..		£380,512		£380,512

THE
ACCOUNTANT

June 18th, 1960

**BABCOCK & WILCOX LIMITED
AND SUBSIDIARY COMPANIES**

*Consolidated Profit and Loss Account for the Year ended
31st December, 1959.*

	1959 £	1958 £
TRADING PROFIT OF BABCOCK & WILCOX LIMITED AND ITS SUBSIDIARY COMPANIES FOR FINANCIAL PERIODS ENDING WITHIN 1959, after charging the following items	314,644	3,097,362
(a) Depreciation and amounts written off Fixed Assets:—		
Freehold and Leasehold Properties ..	145,608	142,107
Plant, Machinery and Equipment ..	1,615,724	1,218,260
	<u>1,761,332</u>	<u>1,360,367</u>
(b) Remuneration of Directors of Babcock & Wilcox Limited paid by that Company and its Subsidiary Companies:—		
Fees	21,299	21,410
Managerial Services including Pension Fund Contributions and Pensions	88,737	85,888
	<u>110,036</u>	<u>145,175</u>
(c) Debenture Interest:—		
4½% Debenture Stock 1980 ..	139,913	93,583
6% Debenture Stock 1980/83 ..	<u>259,913</u>	<u>1,706,423</u>
	<u>£2,131,281</u>	<u>180,244</u>
Add:	208,510	3,277,626
Investment Income		
Profit for the year before U.K. Taxation ..	<u>523,154</u>	
Deduct:		
U.K. Taxation on Profits of Group for the year:—		
Profits Tax	4,862	321,856
Income Tax	407,848	1,056,193
Taxation Equalization Reserve	<u>Deduct 368,545</u>	<u>Add 216,151</u>
	44,165	1,594,200
Less Double Taxation Relief	<u>Add 150,137</u>	<u>Deduct 170,493</u>
		<u>1,423,707</u>
NET PROFIT FOR THE YEAR AFTER TAXATION	673,291	1,853,919
Deduct:		
Proportion attributable to Minority Members of Subsidiary Companies	<u>99,441</u>	<u>92,519</u>
		<u>£1,761,400</u>
CONSOLIDATED NET PROFIT FOR THE YEAR ATTRIBUTABLE TO BABCOCK & WILCOX LIMITED	<u>£573,850</u>	<u>£1,761,400</u>

**BABCOCK & WILCOX LIMITED
AND SUBSIDIARY COMPANIES**

*Appropriation of Consolidated Net Profit for the Year ended
31st December, 1959.*

	1959 £	1958 £
BALANCE BROUGHT FORWARD FROM LAST ACCOUNT:—		
Babcock & Wilcox Limited	386,435	384,435
Subsidiary Companies	492,440	381,508
Deduct: Amount transferred to Minority Interests	<u>590</u>	<u>380,918</u>
	878,875	765,353
Consolidated Net Profit for the year attributable to Babcock & Wilcox Limited	573,850	1,761,400
Sundry Capital Profits less adjustments for previous years and loss on exchange	30,174	68,173
Provision for U.K. Taxation no longer required ..	212,136	125,869
	<u>1,695,035</u>	<u>2,720,795</u>
Deduct: Amounts written off Shares in Subsidiary Companies and Trade Investments	<u>1,695,035</u>	<u>133,012</u>
		2,587,783
Deduct:		
Sinking Fund for redemption of 4½% Debenture Stock 1980	111,112	111,112
Dividends of Parent Company for 1959, less Income Tax:—		
6% Cumulative Preference Stock	£3,675	3,450
5% Cumulative Second Preference Stock	5,606	5,263
4% Cumulative Preference Stock	49,000	46,000
Ordinary Stock	<u>518,478</u>	<u>727,751</u>
	576,759	893,576
PROFIT RETAINED	<u>£1,007,164</u>	<u>£1,694,207</u>
Represented by:—		
Retentions by Parent Company:—		
Additional Depreciation towards replacement values ..	—	283,366
General Reserve	—	216,917
Balance carried forward	335,151	386,435
	<u>335,151</u>	<u>886,718</u>
Appropriations by Subsidiary Companies:—		
Additional Depreciation towards replacement values ..	—	88,778
General Reserves	377,940	226,271
	<u>377,940</u>	<u>315,049</u>
Parent Company's proportion of profits retained by Subsidiary Companies	<u>294,073</u>	<u>492,440</u>
	672,013	807,489
	<u>£1,007,164</u>	<u>£1,694,207</u>

Consolidated Balance Sheet, 31st December, 1959.

	1959	1958
CAPITAL OF BABCOCK & WILCOX LIMITED		
6% Cumulative Preference Stock	100,000	100,000
5% Cumulative Second Preference Stock and Shares	183,056	183,056
4% Cumulative Preference Stock and Shares redeemable on or after 1st January, 1960	2,000,000	2,000,000
Ordinary Stock and Shares	9,405,497	9,405,497
	<u>11,688,553</u>	<u>11,688,553</u>
CAPITAL RESERVES		
Debt Redemption Sinking Fund	583,338	583,338
Additional Depreciation towards replacement values	4,983,983	4,983,983
Other Capital Reserves	<u>1,435,381</u>	<u>1,435,381</u>
	<u>7,113,814</u>	
REVENUE RESERVES AND UNDISTRIBUTED PROFITS		
General Reserves	8,720,912	8,341,296
Contingencies Reserve	1,250,000	1,250,000
Special Research and Development Reserve	380,512	689,189
Profit unappropriated—		
Babcock & Wilcox Limited	335,151	386,435
Subsidiary Companies	<u>294,073</u>	<u>492,440</u>
	<u>10,980,648</u>	
TOTAL CAPITAL AND RESERVES	<u>29,783,015</u>	<u>29,973,872</u>
TAXATION		
Income Tax 1960/61	324,754	961,432
Taxation Equalization Reserve	<u>144,800</u>	<u>513,345</u>
	<u>469,554</u>	
SHARE CAPITAL, RESERVES AND SURPLUS OF SUBSIDIARY COMPANIES HELD BY MINORITY MEMBERS	<u>637,157</u>	<u>551,083</u>
DEBENTURE STOCKS		
4½% Debenture Stock 1980	3,278,813	
Deduct Purchased for redemption	<u>26,913</u>	
	<u>3,251,900</u>	
9% Debenture Stock 1980/83	<u>2,000,000</u>	<u>3,393,600</u>
	<u>5,251,900</u>	<u>2,000,000</u>
Interest Accrued (gross)	64,551	66,078
Secured by first charge on the assets of Babcock & Wilcox Limited	<u>5,316,451</u>	
CURRENT LIABILITIES AND PROVISIONS		
Overdrafts at Bankers	3,809,386	1,443,253
Trade Creditors and Accrued Liabilities	6,799,657	7,272,161
Provision for Employees' Pension Funds	877,619	899,799
Net difference in Inter-Company accounts owing to variations in dates of Balance Sheets		
J.K. Taxation	1,104,085	27,328
Estimated Further Expenditure to complete orders invoiced	3,092,243	2,260,763
Preference Dividends accrued (less Income Tax)	29,141	2,796,656
Proposed Final Dividend on Ordinary Stock (less Income Tax)	<u>259,239</u>	<u>403,261</u>
	<u>15,371,370</u>	
	<u>£52,177,547</u>	<u>£52,591,987</u>

For Notes on the Accounts and Movements in Reserves, see page [755].

Dunlop Rocks Up

THE accounts of the Dunlop Rubber Co Ltd for 1959 show the tight locking up in the capital structure of the greater part of the £6 million that has been carried in the balance sheet as a reserve for replacement of fixed assets in the United Kingdom. During the year, £5,241,000 of the £6 million was capitalized in a distribution of one share for every four held. The balance of £759,000 was transferred to 'Other capital reserves', the 'other' distinguishing this summing up of the capital reserve position from 'Share premium account' which is given separately.

The constitution of the 'Other capital reserves' total of £4,511,000 is worth following. The opening balance was £3,814,000. To this was added the £759,000 from fixed assets replacement, £150,000 was transferred from share premium accounts and general reserves, £82,000 was a credit in respect of 'Bonus shares issued by associated and subsidiary companies' and £63,000 was from profit and losses account appropriations. From the resultant total of £4,868,000 was deducted £357,000 for 'Loss on sale of assets, bonus share issue expenses, exchange and other adjustments'.

'Exchange and other adjustments' in an amount of £93,000 also appears as a debit to 'Surplus' under the revenue reserves group heading. 'Surplus' in the Dunlop balance sheet being broadly the equivalent of the more usual unappropriated balance on profit and loss account. Exchange adjustments, of course, can have both capital and revenue aspects.

With this year's accounts has been provided the 'Review of divisions and subsidiary companies'—what might be called report on trading conditions—that has previously formed part of the chairman's statement at the meeting. It obviously has a more appropriate place with the year's figures.

In basic form, the Dunlop accounts have provided the pattern for most of what is now standard practice in company accounts. Outside the accounts, however, is the 'Comparative results 1950-1959' which give the Dunlop idea of a summing-up.

This schedule traces the position from group sales to net profit and its appropriation. A further section shows capital employed, the return on capital employed and also dividends paid.

CITY NOTES

STILL backed by encouraging company news the stock-markets are holding firm. There is, however, a growing tendency to consider that the rally which began when the summit talks broke down has now gone far enough. New buyers seem wary of entering the market at present prices but against that there is as yet no opposite move—that is, towards profit taking.

The net result is something of a market stalemate at least so far as the industrial equity sections are concerned. Rising industrial output and consumer spending provide a firm enough basis for equity strength but with some marginal tightening of credit already in force, rising output and spending are now inclined to be viewed in terms of further possible brakes being put on the economy.

It is that inclination, more than anything else, which is checking the equity rise. The same factor is, of course, pressing down on the gilt-edged market where prices are approaching the October 1957 low points.

The market has been under pressure from bank selling for special deposit purposes and now that that pressure has eased there seems reasonable prospect of some marginal improvement in prices. Gilt-edged stocks, despite their good yields, remain in the investment backwaters and only a sharp setback in equities seems likely to bring the market into the investment main stream.

Funds which used to be employed in the market can now find security and sound interest rates on deposit with local authorities, industrial banks and other avenues.

RATES AND PRICES

Closing prices, Wednesday, June 15th, 1960

Tax Reserve Certificates: interest rate (May 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sep. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

April 8	£4 12s 11·83d%	May 13	£4 11s 1·56d%
April 14	£4 13s 1·10d%	May 20	£4 11s 1·69d%
April 22	£4 13s 0·88d%	May 27	£4 11s 1·53d%
April 29	£4 13s 0·48d%	June 3	£4 11s 1·39d%
May 6	£4 13s 4·70d%	June 10	£4 12s 1·79d%

Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-½	Frankfurt	11·68½-½
Montreal	2·75½-¾	Milan	1739½-40½
Amsterdam	10·56½-¾	Oslo	20·00½-½
Brussels	139·74½-¾	Paris	13·73½-¾
Copenhagen	19·33½-¾	Zürich	12·08½-¾

Gilt-edged

Consols 2½%	45½xd	Funding 4% 60-90	89½
Consols 4%	69½	Savings 2½% 64-67	82½
War Loan 3½%	60½	Savings 3% 55-65	90½
Conversion 3½%	60½	Savings 3% 60-70	79½
Conversion 3½% 1969	85½	Savings 3% 65-75	73½
Exchequer 5½% 1966	100½	Treasury 2½%	44½
Funding 3% 66-68	83	Treasury 3½% 77-80	73½
Funding 3% 59-69	81½	Treasury 3½% 79-81	73½
Funding 3½% 99-04	65½xd	Victory 4%	93½

Reviews

An Accountant's Working Papers

by L. H. TRIMBY, A.C.A., M.B.I.C. (Sir Isaac Pitman & Sons Ltd. 35s net.)

This book comes hard on the heels of that on the same subject by Mr F. A. J. Couldery, A.C.A., A.A.C.C.A., A.C.C.S. (see *The Accountant*, of May 7th); comparison therefore is inevitable.

The present book runs to 22 pages, of which seven are introductory, 172 present a model set of working papers, eleven accommodate two brief appendices dealing with the subjects of automation and digitation, and the remainder an index. In Mr Couldery's book, seventy-two pages of descriptive commentary are followed by short appendices covering some seven pages, and twenty-four are devoted to extracts from working papers.

While Mr Couldery explains the underlying reasons for the schedules in detail and refers also to the special needs of 'incomplete record' work, Mr Trimby is evidently content after a short introduction, to let the schedules speak for themselves with merely an occasional footnote to emphasize a point.

In some respects Mr Trimby's basic idea has merit in overcoming the problems of presenting a subject of this nature and in emphasizing the practical aspect. Unfortunately, for one reader at least, the result is less happy than it might have been by the inclusion of so much detail in the examples, and the difficulty of following the schedules not least because of the small type this detail involves. Nor is it easy to distinguish between what is actually part of the working papers and what are illustrative notes. The type used is insufficiently varied to point contrasts and so help the reader in his study of the examples. The use of colour in the examples would have helped enormously.

It is surprising that in his working papers Mr Trimby does not advocate a trial balance in 'extended' form, covering profit and loss and balance sheet columns, and even more surprising that in his note on 'trade investments' he seems unaware that there is a very comprehensive definition of the term in the Institute's Recommendation No. 20. One would also have expected his final accounts to have been drawn up in a simpler, more modern form - especially the profit and loss account.

Having said all this, Mr Trimby's book remains a challenging work to all practising accountants, few of whom would not learn something to their advantage on some point in the examples. The 'average student', however, despite the fact that the book is dedicated to him, may well prefer the simpler approach of the other work.

The Law and the Profits

by C. NORTHCOTE PARKINSON. (John Murray, London. 15s net.)

Time is money, as every practising accountant rendering fees on the approved professional basis very well knows. When, however, either one or the other belongs, or appears to belong, to someone else, the synonymy is not always clearly recognized. The degree of diffuseness varies with the size of the concern having the proprietary interest until in the extreme case of the largest and most impersonal getter and spender of them all, the Government, the affinity between time and money tends completely to be overlooked.

Professor Parkinson, in his first book on this theme, dwelt on the time element of the problem with felicity and wit. Now he turns his attention to the allegedly appalling waste of public money which increases rather than diminishes with the years. He is not against taxation as an institution but thinks that the Government, with its ever multiplying interests, has gone too far. Taxation has now been taken to the point where it absorbs so much of the national income as to discourage individual ability and initiative. From his wide knowledge of civil and military history and of current affairs, he draws many convincing examples of how vast sums have been poured down the drain leaving not a trace of permanent good in their wake.

The remedy, in brief, which the professor suggests is that the whole process of Government finance should be reversed. Ministers should not begin by stating what their respective departments need. They should, instead, ask how much the country can afford to give them or, more directly, how much of the individual's income is it safe for the Government to take. There are, he states, three levels of taxation beyond that - the undesirable, the dangerous and the fatal. Successively, as these are approached, individual initiative gives way to inertia, sense of property to envy, freedom to dependence, sense of purpose to a spirit of rebellion and, finally, artistic effort to a spirit of hysteria. It is a gloomy picture and, to make matters worse, neither Professor Parkinson nor his celebrated illustrator, Osbert Lancaster, gilds the pill with the same delectable and deceptive coating of dead-pan humour as before. Has the joke gone too far or is he dealing with matters which lie too deep for heartless laughter? Or is it simply that money, after all, is a more serious matter than time and that the two are not really synonymous?

Young's Taxation Appeals

Second edition by H. G. S. PLUNKETT. (The Solicitors' Law Stationery Society Ltd, London. 15s net.)

A person who takes upon himself the responsibility of conducting a tax appeal should be well versed in substantive tax law, in the provisions relating to the manner of making appeals, in the complex rules of

evidence, and in the art of advocacy. A brief conspectus of this wide field is to be found in the 104 pages of this work, together with some sage advice. There are, however, some masterly understatements, such as 'Cross-examination sometimes presents difficulties to persons who are not members of the legal profession'. It may well be added that it often presents difficulties to persons who *are* members of the legal profession.

Since income tax appeals are heard in private, the would-be representative of the taxpayer often has little opportunity of gaining a practical working knowledge of his duties, which differ radically from auditing and the preparation of accounts. *Young's Taxation Appeals* helps to fill some part of the void.

Electronic Computers and their Business Applications

by A. J. BURTON, F.C.A., A.C.I.S., and R. G. MILLS, M.A., M.Sc. (Ernest Benn Ltd, London, 45s net.)

This most stimulating book might well be regarded as compulsory reading for the management of any company who may be contemplating the introduction of a computer for its data processing problems.

It contains advice culled from many years' experience in the field of computer work, and is based on the authors' lectures at the Sir John Cass College. For the first time, the many and varied aspects of computing which management have to consider are presented in one cover. Based on the use of a mythical machine CASSEAC, the book raises many contentious points which require careful and challenging thought. There are a few obvious errors but these the careful reader should easily discover and discount. The most regrettable feature, however, is that the book, even at three hundred odd pages, is all too short. Fuller explanations of many of the points raised would seem desirable, particularly in the early chapters where the reader is left with the choice of accepting statements made without question, or of seeking confirmation from another source.

A Simple Guide for the Taxpayer

by JOHN WOOD. (Putnam & Co Ltd, London. 9s 6d net.)

More than three-quarters of this book is devoted to explaining income tax in simple language and is to be recommended for the layman. There is a very brief examination of estate duty and an even shorter disquisition about indirect taxes and where all the money goes. The style is pleasing, the contents accurate, and the price modest – a trio of attractive features; though as is not unusual with books which attempt to explain complicated matters simply, some of the generalizations can be misleading. And even Mr Wood is not free from a fondness for double negatives which is the distinguishing mark of Finance Bills. At first reading, the following sentences – brief

though they are – leave one wondering. 'This is not to argue that tax is not the burden which most people feel it to be. Far from it.'

Work Study

by R. M. CURRIE, C.B.E., M.I.MECH.E., M.I.C.E., M.I.PROD.E. (A B.I.M. publication, published by Sir Isaac Pitman & Sons Ltd, London. 22s 6d net.)

'A complete authoritative work on the subject'; these words on the dust cover of the book are a fair description of the work. Writing textbooks can be a thankless task; they will be too elementary for some readers, too advanced for others, and they seldom succeed in being attractive to general readers. Mr Currie has very nearly achieved the perfect compromise and has undoubtedly succeeded in writing a very useful book with notable qualities of freedom from jargon, clarity of description and logic. There is no attempt to break new ground or to be original and those who have learned the elements of work study will be encouraged to find that this book provides a comprehensive refresher course without pointing too many accusing fingers at previously unrecognized gaps in their knowledge.

Perhaps it is because Mr Currie is himself so much a master of his subject and has lived with it so long that the element of adventure is missing. The index plots a course through the subject including a historical note on its pioneers, its relationship with productivity, its human context, five chapters on the steps in method study, and ten on time measurement from basic time study to analytical estimating and activity sampling. This scheme is complete and logical and should prove compelling but just fails to do so. However, this may be looking for greater refinement than Mr Currie was attempting. As a statement of what is involved in work study and a clear exposition of its techniques, with good examples and specimen forms, the book is admirable. It is also important in that it adheres rigidly to the nomenclature recommended by the British Standards Institution and, by so doing, throws great authority behind its acceptance.

Work study is much talked about and increasingly used in British industry, in factories, works and offices. Some of the talk about it is loose and a reading of this book will immediately tighten it up. In many cases it is felt that the field of work study is narrow being limited, for practical purposes, to the floors of mass-production factories. This book should establish clearly the right of work study to be allowed to show its powers in a much wider field – in manufacturing of all kinds, in warehouse and stores, in shops and offices.

Accountants who have the remotest chance of being asked for an opinion on the use of work study and know that at present they would be found wanting can, by taking Mr Currie's book home for just a few evenings, learn enough to talk intelligently and constructively on the subject.

**Mathematical Ideas:
their Nature and their Use**

by JAGJIT SINGH. (Hutchinson & Co (Publishers) Ltd, London. 35s net.)

Efforts to popularize the subject of mathematics are not new and with the advent of the nuclear age, the desirability of helping the intelligent layman to understand what the mathematician in his guise as physicist, chemist or statistician, among other activities, does, is abundantly clear. Compared with the more popular works on the same theme, Dr Singh's book is extremely ambitious. Starting with a simple exposition of the nature of numbers and a lucid account of the principles underlying the calculus, the reader is led on to vectors and the theory of sets, followed by an explanation of the basis of the theories of matrices and groups. For good measure there is a long chapter on chance and probability, followed by a thoughtful, if at times bewildering, introduction to logic and mathematics.

The book is beautifully written, while the historical background and evolution of these mathematical ideas is brought into the argument most effectively. It would make an ideal gift for the sixth-former taking advanced level mathematics to show him what mathematicians can do. For the accountant who liked mathematics at school and still amuses himself with mathematical problems, the book will provide information and enjoyment. I suggest, however, as does the jacket, that any part of this book is suitable for those whose mathematical education stopped short at elementary algebra is fanciful; it also does a disservice to the author who has succeeded in admirably communicating both his knowledge of, and his fascination for, this remarkable subject.

The Elements of Commercial Law

by HENRY W. DISNEY, B.A. *Fifth edition* by E. DENNIS SMITH, LL.M. (Macdonald & Evans Ltd, London. 11s 6d net.)

This book was first published in 1908 and the last previous edition appeared in 1946, since when there have been a good many changes necessitating a new edition. The work is not intended for lawyers or law students, but for business men and commercial students who wish to gain a sound working knowledge of the legal principles on which a business is conducted. While in general it has been admirably written for this purpose, a little more care might, perhaps, have been devoted to the section on company law. It is, for instance, no longer correct to speak of 'ordinary' general meetings, and surely some mention should have been made of exempt private companies, instead of saying—wrongly—that 'in the case of a private company the annual summary need not include a balance sheet'.

SHORTER NOTICES

A TEXTBOOK OF MONEY, by S. Korteweg and F. A. G. Keesing. Longmans, Green & Co Ltd, London. 35s

net. As the authors concede, there is already quite a number of works on the subject of money; their justification for adding yet another is that this particular book is designed primarily for the interested layman and student rather than the specialist. Their aim is to explain the role of money in the modern economy and to enable the reader to understand the problems that exist in this field under present-day conditions. First published in Holland in 1945, the study is international rather than national in approach. It draws its illustrative material largely from British experience, but also quotes examples from other countries. This book may be recommended to the adult reader who wants to study monetary issues against a setting of national and international economic problems, rather than as a branch of theoretical economics.

WORLD INSURANCE TRENDS, Edited by Davis W. Gregg and Dan M. McGill. University of Pennsylvania Press; London: Oxford University Press. 80s net. This imposing volume of nearly 700 pages comprises the proceedings of what is described as the first international insurance conference at which, say the editors, 450 of the world's insurance leaders assembled in Philadelphia to pay homage to the Wharton School of Finance and Commerce at the University of Pennsylvania. The audience for these addresses was composed mainly of professional insurance men, three-quarters of whom were from the United States. Many of the papers are of permanent value and are based on original statistical and other research. Three hundred useful pages are devoted to the state of insurance in selected countries. The conference theme was 'The role of private enterprise in insuring life and property values' but some attention is given to nationalized health insurance. State insurance in general was outside the scope of the programme.

RECENT PUBLICATIONS

A GUIDE TO MANAGEMENT ACCOUNTING, second edition, by H. W. Broad, F.C.A., A.C.W.A., and K. S. Carmichael, A.C.A. ix+173 pp. 9×6. 18s net. H.F.L. (Publishers) Ltd, London.

STANDARD COSTS FOR MANUFACTURING, third edition, by Stanley B. Henrici. xi+402 pp. 9½×6½. 66s. McGraw-Hill Publishing Co Ltd, London.

MODERN BANKING, fifth edition, by R. S. Sayers. viii+294 pp. 9×6. 25s net. (U.K. only). Clarendon Press: Oxford University Press, London.

MONEY, CLASS AND PARTY, An Economic Study of Civil War and Reconstruction, by Robert P. Sharkey, Ph.D. The Johns Hopkins University Studies in Historical and Political Science, Series LXXVII. ix+346 pp. 9½×6½. 44s net (U.K. only). Johns Hopkins University Press; Oxford University Press, London.

COMMUNIST ECONOMIC STRATEGY: SOVIET GROWTH AND CAPABILITIES, a report on economics of competitive co-existence, by Alex Nove. xi+83 pp. 9×6. Card covers. 18s net. National Planning Association, Washington, 9, D.C.; Oxford University Press, London.

ECONOMIC PLANNING AND ORGANIZATION IN MAINLAND CHINA, A documentary study, Vol. I. Edited by C. Kuo-chun. 302 pp. 10½×8½. 32s net. Harvard University Press; Oxford University Press, London.

MODERN TRENDS IN THE FORM OF PUBLISHED ACCOUNTS, by R. S. Waldron, F.C.A., A.T.I.I., and E. H. W. Sambridge, F.C.A., A.T.I.I. 112 pp. 9×6½. 13s 9d. Textbooks Ltd, 20 Milton Road, Harpenden.

Current Law

Sale of Goods: Breach of Implied Conditions

THE plaintiff in *Godley v. Perry (Burton & Sons (Bermondsey) Ltd, Third Party, Graham, Fourth Party)* ([1960] 1 All E.R. 36) purchased a plastic catapult from the defendant. At the time, the plaintiff was only six years of age. The catapult on being fired broke, with the result that the plaintiff lost one eye. The plaintiff brought an action against the defendant in which he claimed that the defendant was in breach of subsection (1) of Section 14 of the Sale of Goods Act, 1893, because he had made known to the defendant seller the particular purpose for which the goods were required, so as to show that he relied on the seller's skill and judgment, and the goods were not reasonably fit for such purpose. He also alleged breach of subsection (2) of that section in that the goods were not of merchantable quality. The defendant denied liability, bringing in the third party, the wholesale supplier from which the defendant had acquired the catapult, alleging against it that it was in breach of the conditions implied by Section 14, or, alternatively, that the sale to the defendant by the third party was a sale by sample, and that the third party was in breach of the condition implied by Section 15 (2) that the catapults would be free from any defect, rendering them unmerchantable, which was not apparent on reasonable examination of the sample. The third party brought in the fourth party, the personal representative of the third party's supplier and the importer of the catapults from Hong Kong. The third party alleged against the fourth party breaches of the conditions implied by Section 14 and Section 15 (2). There was evidence before the Court of the defective manufacture of the catapult and others like it.

Edmund Davies, J., held that the plaintiff was entitled to succeed on both heads of his claim against the defendant. As regards the claim under subsection (1) of Section 14 his lordship said that where a customer was, as in the instant case, of extremely tender years, an inference of reliance on the retailer's skill and judgment readily and properly arose. As regards the claim under subsection (2), his lordship said that the fact that the catapult was sold over the counter did not prevent it from being a sale by description. As regards the sale by the third party to the defendant and the sale by the fourth party to the third party the learned judge held that there was a breach of Section 15 (2). From the facts there was clearly a sale by sample, and accordingly an implied condition that the goods were free from any defect, rendering them unmerchantable, which was not apparent on reasonable examination of the sample;

on the facts there had been such a reasonable examination and the defects had not been revealed. Accordingly, judgment was given for the plaintiff against the defendant, for the defendant against the third party, and for the third party against the fourth party.

Petitions to Sanction Schemes of Arrangement and Reductions of Capital

A SHORT point was decided by Roxburgh, J., in *Re Great Universal Stores Ltd and Others* ([1960] 1 All E.R. 252, note). His lordship had before him a petition by a company for the sanction of the Court to a scheme of arrangement and petitions by each of twenty subsidiaries of that company, which each asked for similar sanction and an order confirming a special resolution for reduction of capital. None of the petitions contained any allegation that the relevant company was carrying on business, and his lordship, in order to clarify the position, said that such an averment was not, in fact, necessary: *Re Wallasey Brick and Land Co Ltd and Reduced* ([1894], 70 L.T. 870) had suggested that it might be.

Execution of a Will

THE testator in *Re Little, Foster v. Cooper and Others* ([1960], 1 All E.R. 387) called in two neighbours to witness his will. This document consisted of a draft prepared by his solicitor, made up of five foolscap sheets, typewritten and fastened together by a two-pronged brass fastener. A fifth sheet was a back sheet, being blank on the inside and having the words 'draft will' on the outside. On the inside of this sheet the testator wrote his name some eight inches from the top and the witnesses duly witnessed his signature. There was some doubt on the evidence as to whether at the time of execution the back sheet was attached to the other sheets, but, whether or not it was, the testator during the process of attestation pressed the sheets down on the table with his hand, and Sachs, J., held that such a pressing provided a sufficient *nexus* between all five sheets for the purpose of establishing that there was a single testamentary document.

After the testator's death, eight lines of manuscript were found to have been added in the blank space above his signature, and the leaving of this space, coupled with the subsequent insertion of manuscript bequests, raised an inference of intention to add to the will something besides the attestation clause. This made it necessary to decide which of two inferences as regards the testator's state of mind should be adopted; whether he intended at the moment of signing that the document should have immediate testamentary effect, but that he would later add something to it rather in the nature of a codicil, or whether he intended that the document should have no effect until he had added to it and thus completed it.

Sachs, J., adopted the former of these two possible inferences, and hence was able to uphold the validity

of the will, save for the manuscript bequest added on the last page and certain other alterations which he held to have been made after execution. His lordship took account of the fact that the testator

had said nothing to indicate that he did not intend the will to have immediate effect and also that he had struck through the word 'draft' on the outside of the back sheet.

FOR STUDENTS

PAYMENT FOR SHARES - I

THE share capital of a company limited by shares represents a fund from which, in case of necessity, the claims of the company's creditors can be met. As this fund represents the maximum liability of its members, who enjoy the privilege of limited liability, it must be preserved for the benefit of the company's creditors. Furthermore, except as authorized by the Companies Act, 1948, the company can issue shares only on condition that it will ultimately receive in payment therefor their full nominal value. Section 212 of the Companies Act, 1948, provides that in the event of the winding up of a company limited by shares, contributions may be required from members and, in certain circumstances, past members, up to the amount, if any, unpaid on the shares in respect of which they are liable.

A company may not reduce the amount of its share capital, except as authorized by the Act, nor may it purchase its own shares, even if authorized by its memorandum and articles (*Treor v. Whitworth*, (1887) L.R. 12 App. Cas. 409), since this would amount to an authorized reduction of its share capital. A member from whom such shares have been improperly purchased by the company can be restored to the register of members, since there has been no valid transfer of the shares.

Method of Payment

The shares of a company need not necessarily be paid for in cash, however, but may be issued for a 'consideration other than cash'. Such consideration may consist of payment in kind or in services, e.g., the transfer of assets to the company by a vendor, or services rendered in connection with the flotation of a company by a promoter. It may also consist of the 'set-off' of an existing debt due to the person concerned from the company. In this matter the directors must act in good faith in the interests of the company, but the Court will not usually inquire into the adequacy of the consideration unless a fraud has been perpetrated on the company, or the consideration is non-existent or appears, on the face of it with sufficient clarity, to be inadequate (*Re Fragg Ltd*, (1897) 1 Ch. 796).

A company may not release a shareholder from the liability in respect of his shares without payment in money or money's worth, and such payment must be a present payment, a promise of future payment in kind not being sufficient. For instance, in *Pellatt's case*, (1867) L.R. 2 Ch. App. 527, it was held that an agreement to satisfy present calls by an acceptance of goods to be delivered in the future, was invalid. In *Gardner v. Iredale* ([1912] 1 Ch. 700), however, it was held that an agreement by the company to pay in the present for future services, and to satisfy its present debt by issuing fully-paid shares, was valid.

It must be remembered, of course, that when winding up of the company supervenes, a contributor who is also a creditor of the company cannot set-off against calls the debt due to him from the company, until the creditors have been paid in full (Section 259 (3)).

Where shares are allotted as fully or partly paid for a consideration other than cash, Section 52 of the Companies Act, 1948, requires that in the case of a company limited by shares or limited by guarantee and having a share capital, there shall within one month be delivered to the registrar of companies:

- (1) a return of allotments, stating the number and nominal amount of the shares comprised in the allotment, the names, addresses and descriptions of the allottees, and the amount, if any, paid or due and payable on each share; and
- (2) A contract in writing constituting the title of the allottee to the allotment, together with any contract of sale, or for services or other consideration in respect of which that allotment was made, such contracts being duly stamped, and a return stating the number and nominal amount of shares so allotted, the extent to which they are to be treated as paid-up, and the consideration for which they have been allotted.

If there is no such contract in writing, the company may deliver the prescribed particulars of the contract, stamped as a written contract would have been stamped. Penalties are imposed for default, and the Court is empowered to extend the time for delivery of the relevant documents. Default in filing the return will not render the shares liable to be paid for in cash.

So far as the company is concerned, the person liable to pay for his share is the registered holder, and the company is not affected in any way by the fact that the registered holder may be merely a trustee for the true beneficial owner. The estate of a deceased shareholder remains liable until some other person is registered as the holder of the shares. A past member may also be liable to contribute in the event of winding-up, if this commences within one year of his ceasing to be a member, and if the existing member is unable to satisfy the contributions required in respect of the shares (Section 212).

Shares at a Discount

The issue of shares at a discount, i.e. for a consideration less than their nominal value, is invalid except as authorized by the Act. Circumstances may arise, however, where, although a company requires further share capital, its record and prospects would make an issue of shares for payment of their full nominal value difficult or impossible.

Section 57 of the Companies Act, 1948, provides that a company may issue at a discount shares of a class already issued, provided that:

- (a) the issue is authorized by resolution in general meeting and is sanctioned by the Court;
- (2) the resolution must specify the maximum rate of discount at which the shares are to be issued;
- (3) not less than one year must, at the date of the issue, have elapsed since the company became entitled to commence business;
- (4) the shares to be issued at a discount must be issued within one month after the sanction of the Court or within such extended time as the Court may allow.

Every prospectus relating to the issue of the shares must contain particulars of the discount allowed or so much of that discount as has not been written off at the date of the issue of the prospectus.

The requirement that the shares shall be of a class already issued is presumably to enable the Court to judge, by reference to the market value of the existing shares, whether the proposed discount is reasonable, whilst the minimum period of one year ensures that a reasonable time shall have elapsed in which the value of the existing shares might be established. The limitation of the time during which the issue may be made is reasonable, since the circumstances of the company may change.

Directors making an unauthorized issue of shares at a discount would be liable to the company for any loss, but the allottee, if entered in the register of members, would be liable in winding up for the full amount of the shares (*Ex parte Sandys* (1889) 42 Ch.D. 98), although before liquidation the company could not enforce payment in full (*Pioneers of Mashonoland Syndicate* (1893) 1 Ch. 731).

Premiums on Shares

Although a company may not issue shares at a discount except as authorized by the Act, there is no statutory requirement that a company should necessarily issue shares at a premium where this might be possible. Naturally, the success of a company will be reflected in the market price of its shares, and when further capital is required, it is often possible to issue new shares, either to existing members or to the public, at a premium, e.g. a further issue of £1 ordinary shares for 25s per share. Such an issue is advantageous to the company, since the nominal amount of the new share capital, which is the maximum amount upon which future dividends will be paid, is less than the amount of new money raised.

At law, however, an issue of new shares at par, or an option given to subscribe in the future for shares at par, is perfectly valid whatever the state of the market. It must be remembered, however, that directors are required to act in good faith and for the benefit of the company. Prior to the Companies Act, 1948, there was nothing to prevent the distribution of such premiums in the form of dividends, but Section 56 of the Act now provides that:

- (1) where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called 'the Share Premium Account', and the provisions of this Act relating to the reduction of share capital shall, except as provided in this section, apply as if the share premium account were part of the paid-up share capital of the company;
- (2) the share premium account may, notwithstanding anything in the foregoing subsection, be applied by the company in:

- (a) paying up unissued shares of the company to be issued to members of the company as fully-paid bonus shares; or
- (b) writing off preliminary expenses of the company; or
- (c) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (d) providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company;
- (3) where a company has, before the commencement of this Act, issued any shares at a premium, this section shall apply as if the shares had been issued after the commencement of this Act; provided that any part of the premium which has been so applied that it does not at the commencement of this Act form an identifiable part of the company's reserves shall be disregarded in determining the sum to be included in the share premium account.

Financial Assistance for Purchase of Shares

By Section 54 of the Companies Act, 1948, a company is prohibited from giving any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company. The prohibition applies whether the financial assistance is given directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise. The section also applies, where the company concerned is a subsidiary company, to the purchase of or subscription for shares in its holding company.

It will be noticed that the section applies to the 'purchase', i.e. from an existing shareholder, or 'subscription', i.e. by application to the company. Prior to the 1948 Act, the existing prohibition (Section 45 of the 1929 Act) applied only to the purchase of shares in the company, and, in *Re V. G. M. Holdings* ([1942] Ch. 235), it was held that shares acquired by subscribing the Memorandum of Association or by allotment in response to an application to the company, were not 'purchased' within the meaning of Section 45. This defect in the 1929 Act was remedied in Section 54 of the 1948 Act by the extension of the prohibition to 'subscriptions' for shares as well as to purchases of shares.

Exceptions to which the general prohibition will not apply are made by Section 54 as follows:

- (a) where the lending of money is part of the ordinary business of the company, the lending of money by the company in the ordinary course of its business;
- (b) the provision by a company, in accordance with any scheme for the time being in force, of money for the purchase of, or subscription for, fully-paid shares in the company or its holding company, being a purchase or subscription by trustees of or for shares to be held by or for the benefit of employees of the company, including any director holding a salaried employment or office in the company;
- (c) the making by a company of loans to persons, other than directors, bona fide in the employment of the company, with a view to enabling those persons to purchase or subscribe for fully-paid shares in the company or its holding company to be held by themselves by way of beneficial ownership (i.e. not as nominees of the company or of any other person).

If a company acts in contravention of this section, the company and every officer in default shall be liable to a fine not exceeding one hundred pounds.

Since a company may not purchase its own shares (*Trevor v. Whitworth* (1887) L.R. 12, App. Case 409), the section expressly prohibits a company from giving financial assistance for the purpose, except as expressly authorized. Otherwise, a company acting through agents or nominees could hide a contravention of the principle laid down in *Trevor v. Whitworth*. A purchase of the shares of its holding company could be equivalent to a purchase of the company's own shares, since any factor increasing the value of a company's shares would also increase the value of the shares of its holding company. The section, therefore, extends to shares in the holding company.

In *Victor Battery Co Ltd v. Curry's Ltd* ([1946] Ch. 242), a person, J., contracted to buy all the issued share capital of V.B. Ltd but was unable himself to find the full amount of cash required. Curry's Ltd agreed to advance the sum required to J. on the security of a debenture issued by V.B. Ltd. In a subsequent action to have the debenture declared void, as having been issued in contravention of what is now Section 54 of the 1948 Act, it was held that although the issue of the debenture fell within the scope of the section, the section provided only for the punishment of the offending company and its officers, and did not invalidate the debenture.

(To be concluded.)

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

SEVENTY-FIFTH ANNIVERSARY CONFERENCE

This year's annual conference of The Institute of Municipal Treasurers and Accountants, held in London this week, was of especial importance marking the seventy-fifth anniversary of the founding of the Institute.

The conference commenced with a commemorative service at St Martin-in-the-Fields on Monday afternoon and in the evening a reception and dance were held at the Royal Festival Hall by invitation of the President and Council of the Institute.

On Tuesday morning, The Rt Hon. Henry Brooke, M.P., Minister of Housing and Local Government, officially opened the proceedings following a welcome to delegates by the Rt. Hon. Chairman of the London County Council, Councillor Mrs F. E. Cayford.

PRESIDENTIAL ADDRESS

In his presidential address, Mr G. B. Esslemont, C.B.E., J.P., M.A., B.COM., LL.B., D.A., F.I.M.T.A., chose to survey the growth, scope, activities and interests of the Institute since 1885, to assess where the Institute



Mr G. B. Esslemont

now stood, and to consider where its future might lie.

To illustrate his address the President referred to the subject-matter of past conference papers; the growth of the membership of the Institute and the spread of the membership throughout public bodies both in the United Kingdom and abroad.

He said that originally members were in the main drawn from the boroughs - county, non-

county and metropolitan - and then gradually had covered the counties, at the same time as a geographical expansion took place which resulted in branches of the Institute being set up in Scotland, and more recently in Northern Rhodesia and East Africa. The problem of extending the membership in the public boards which had taken over services previously administered by local authorities is not as yet solved but progress is being made and variations to the Institute's examination syllabuses have aided in the recruitment of members in this important branch of the public service.

In dealing with specific conference paper subjects the President referred in particular to capital finance and borrowing and the related matters of loans pooling and consolidation. He mentioned that in the early post-war years the days of high interest rates were thought of as belonging to the past and that at that time the idea of a return to 6 per cent loans would have received little serious attention.

Status of the Treasurer

Another conference paper subject dealt with by the President was the 'Institute and the treasurer'. This part of his address showed how the process of gaining recognition and status for the treasurer and the settling of his role in public finance had been an integral part of the Institute's history. The need for the adequate training and recruitment of officers for the service was soon recognized by the early Institute members and the second President of the Institute had spoken of the real need for such training and at the same time had indicated that the tasks ahead for the Institute were duties in which all of his colleagues should take part - evidently there was an element of indifference inherent in some treasurers at this time. This was the tone of the early days and since then the indifference shown towards the objects of the Institute have been dissipated and great progress made in many of the original aims. The examination system has reached maturity and the training of officers is aided

by the students' societies and day release courses, all of which are sponsored by the members of the Institute. The role and position of the treasurer is now established and this is mainly due to the wide recognition of the importance of finance and financial control. By extending the scope of its activities the Institute has given to its members an unquestioned recognition as qualified accountants and in this role their collaboration is sought for and valued by Government departments and Ministers of the Crown. In addition, members act as advisers to the associations of local authorities.

The President made mention of the recent development of holding short conferences dealing with matters of public financial interest at the highest level. He stressed the importance of this development and stated that further conferences of this nature would be held as and when events dictated.

In conclusion, the President emphasized the Institute's main role in providing a service to local and public authorities and through them to the community at large. The granting of a Royal Charter had, the President thought, set the members of the Institute an even higher standard in maintaining and extending that service.

BUSINESS SESSIONS

Addresses were given by The Rt. Hon. Lord Morrison of Lambeth, C.H., on 'British local governments - past, present and future'; by the Comptroller and Auditor-General, Sir Edmund Compton, K.B.E., C.B., on 'Control of public expenditure'; and by the Chancellor of the Exchequer. The annual general meeting of the Institute was held as part of the conference on Tuesday afternoon.

Prior to the commencement of the business sessions, Mr E. Clough, A.R.C.O., who is a member of the Institute, played incidental music on the organ in the auditorium.

Control of Public Expenditure

In his paper, Sir Edmund Compton stressed that he intended to examine the way in which control is exercised by the Executive rather than by Parliament. He further limited his subject to the control of supply services expenditure financed by annual votes - estimated to amount in 1960-61 to over £4,900 million.

Sir Edmund drew attention to the paradox that whilst everyone likes certain kinds of public expenditure, public expenditure as a whole is unpopular with the man in the street, who feels that it is out of control, either because the machinery of control is inadequate or because those who ought to operate it don't. Sir Edmund thought that the man in the street was wrong, that neither the system of control nor its operators was at fault, and that the real fault lay with the intractable nature of public expenditure itself. It is made intractable firstly because it is a total made up of services each of which has an established place in Government policy, and secondly, because for the most part there is no profit yardstick available as a guide to the Government.

Sir Edmund divided his subject into two parts - the control of commitments, and getting value for money.

Commitments

In theoretical and general terms it is simple to control commitments - first decide what the country can afford, then review all services and cut out those of lower priority to keep within the limits. In practice, however, this approach is limited by the difficulty of defining what the country can afford and by the very wide field covered by expenditure in respect of continuing commitments, many of which are of a long-term character. Further, the Budget is no longer an equalization of expenditure with revenue - it is an instrument whose object is to balance the whole national economy. Significant changes in commitments can only come from policy decisions, and there is therefore only a limited discretion for the Treasury to seek economies in administration, and 'housekeeping' economies cannot make a significant impression on the total bill.

Sir Edmund, saying that his argument so far had been negative, went on to discuss the positive control of commitments under modern conditions. As far as new services are concerned, the Treasury function is to ensure that no decision to incur a commitment is taken until the Government has weighed the answers to the questions 'What will it cost? Is it worth it? Can we afford it? For watching the value of approved services as they develop over the years, the Treasury's resources are not confined to the scrutiny of annual estimates before presentation to Parliament - various arrangements exist for reviewing particular programmes, but a comparatively new feature of Treasury control is that over the whole field the departments regularly provide the Treasury with forecasts of their expenditure two years before the year when that expenditure will take place, and these forecasts are revised every six months. This system is of value in providing the time required to establish the case for policy changes and for planning the operation so that changes decided on are made in an orderly way.

Value for Money

The pursuit of economy, Sir Edmund said, has two objects: to ensure that public money is correctly spent and to ensure that it is efficiently spent. The first is ensured by the system of audit and the rendering of accounts to Parliament, but the second is a more elusive prize. The savings can, however, be considerable. Sir Edmund gave as an example the scheme of planning and cost control of the new schools buildings programme, which is estimated to have saved £290 million over ten years.

Sir Edmund did not agree that savings would follow from the introduction of commercial accounting methods, stressing the difference between the functions of business accounts and those of governmental accounts, which cannot, by the nature of governmental services, provide a measure of the success or otherwise of the departments' operations.

Although the accounting system in itself cannot measure the value obtained for money it has a by-product, the reports of the Comptroller and Auditor-General and their examination by the Public Accounts Committee, which aim at promoting efficiency by pointing to transactions which disclose waste, inefficiency or weakness of system.

One positive check on efficiency, Sir Edmund said, is the technique of comparing outturn with forecast, or actual cost with estimated cost. This check can

only be applied where the product is measurable in money terms, and where the estimate with which the actual cost is compared is a reliable estimate in the fullest sense; the traditional and best way of securing such an estimate is by competition, but 'technical costing' may be a valuable tool in Government as it is in private industry.

Sir Edmund referred to the difficulty of control of expenditure on such matters as research where the characteristics of the product required are developed as manufacture proceeds. The answer is to give up the estimate as a means of control, in favour of the money allocation coupled with the best possible arrangements for continuous check of the amount and value of the work done.

A principal means of securing efficiency is to be found in control over organization and staff. This is based on the principle that the primary responsibility rests on the department which is accountable for the expenditure. The establishment officer in each department exercises his control through organization and methods and through regular scrutiny of staff numbers and grades in relation to work loads. The role of the Treasury is to survey departments' methods and results, to advise and if necessary to intervene. The financial provision for staff in the Estimates provides the Treasury with an annual opportunity for review. In the end, efficiency is determined by men, not by systems, and periodic meetings of those whose job it is to secure efficiency are convened by the Treasury.

SEVENTY-FIFTH ANNIVERSARY BANQUET

The seventy-fifth anniversary banquet was held in Guildhall on Tuesday evening under the chairmanship of the President of the Institute.

The toast of 'The Lord Mayor, Sheriffs and City of London' was proposed by Sir Malcolm Trustram Eve, Bt., G.B.E., and Sir Cuthbert Acroyd, Bt., Lord Mayor of London (locum tenens), replied.

Mr John Ainsworth, C.B.E., M.COM., F.S.A.A., F.I.M.T.A., City Treasurer of Liverpool, proposed the toast of 'The Guests', and Mr Arthur B. Foye, C.P.A., a Past President of the American Institute of Certified Public Accountants, responded.

The toast of 'The Institute' was proposed by the Governor of the Bank of England, The Rt. Hon. C. F. Cobbold, P.C., the reply being made by the President.

Among the other distinguished guests present were:

Sir Frederick Alban, C.B.E.; Sir Harold Banwell (*Secretary, Association of Municipal Corporations*); The Rt. Hon. Sir Norman Brook, P.C., G.C.B. (*Joint Permanent Secretary, H.M. Treasury*); The Rt. Hon. Henry Brooke, M.P. (*Minister of Housing and Local Government*); Mr G. E. Cameron (*President, The Institute of Chartered Accountants in Ireland*); Sir Eric Carpenter, C.B.E., J.P. (*President, The Institute of Bankers*); Councillor Mrs F. E. Cayford (Rt. Hon. *Chairman of the London County Council*); Mr Joseph F. Clark (*Executive Director of the Municipal Finance Officers Association of the United States and Canada*).

Sir Edmund Compton, K.B.E., C.B. (*Comptroller and Auditor-General*); The Rt. Hon. Lord Cottesloe, T.D. (*Chairman, The North West Metropolitan Regional Hospital Board*); Mr J. W. Cowden (*Town Treasurer of Springs, Transvaal, and President of the South African Institute*); Sir Charles Cunningham, K.B.E., C.B., C.V.O. (*Permanent Secretary, Home Office*).

Mr A. L. de Bruyne (*Director of the Nederlands Instituut*

van Accountants); The Rt. Hon. J. G. Dunbar (*Lord Provost of Edinburgh*); Sir James Dunnett, K.C.B., C.M.G. (*Permanent Secretary, Ministry of Transport*); Mr Derek du Pré (*Secretary, The Institute of Cost and Works Accountants*); Sir Irving Gane, K.C.V.O. (*City Chamberlain of London*); Sir Henry Hancock, K.C.B., K.B.E., C.M.G. (*Chairman, The Local Government Commission for England*); Mr J. E. Harris (*President, The Association of Certified and Corporate Accountants*); Sir Christopher Hinton, K.B.E. (*Chairman, The Central Electricity Generating Board*); The Rt. Hon. Sir Harry Hylton-Foster, M.P. (*Speaker of the House of Commons*).

Sir Alexander Johnston, K.B.E., C.B. (*Chairman, Board of Inland Revenue*); Sir Henry Jones, M.B.E. (*Chairman, The Gas Council*); Mr Ludwig Krönke (*Vice-President of the Bundesverband der Vereidigten Buchprüfer*); Sir Joseph Latham, C.B.E. (*Deputy Chairman, The National Coal Board*); Sir Sydney Littlewood (*President, The Law Society*); The Rt. Hon. and Rt. Rev. the Lord Bishop of London, P.C.; Mr Ernest Long (*President, The Chartered Institute of Secretaries*); Sir Thomas Lund, C.B.E. (*Secretary, The Law Society*); Mr Richard J. McConnell (*Director of Finance, Philadelphia, and President of the Municipal Finance Officers Association of the United States and Canada*); Mr E. H. V. McDougall (*Secretary, The Institute of Chartered Accountants of Scotland*); Mr A. S. MacIver, M.C., C.B.E. (*Secretary, The Institute of Chartered Accountants in England and Wales*); Mr A. McKellar (*President, The Institute of Chartered Accountants of Scotland*); Mr R. Mollemans (*City Treasurer of Ostend and a member of the Council of the Federation Nationale des Receveurs Communaux de Belgique*); Sir William Murrie, K.B.E., C.B. (*Permanent Secretary, Scottish Office*); Sir Guildhaume Myrddin-Evans, K.C.M.G., C.B. (*Chairman, The Local Government Commission for Wales*); Sir Charles Norton, M.B.E., M.C.; Mr S. J. Pears (*President, The Institute of Chartered Accountants in England and Wales*); Mr F. C. Osbourn, M.B.E. (*Secretary, The Association of Certified and Corporate Accountants*); Mr W. Stuart Orr (*Secretary, The Institute of Chartered Accountants in Ireland*).

Sir Richard Powell, K.B.E., C.B., C.M.G. (*Permanent Secretary, Board of Trade*); The Rt. Hon. Lord Radcliffe, P.C., G.B.E.; Sir Jeremy Raisman, G.C.M.G., G.C.I.E., K.C.S.I. (*Chairman, Public Works Loan Board*); Mr W. S. Risk (*President, The Institute of Cost and Works Accountants*); The Rt. Hon. Lord Ritchie of Dundee (*Chairman, The London Stock Exchange*); Mrs Jean Roberts (*The Rt. Hon. Lord Provost of Glasgow*); Dame Evelyn Sharp, D.B.E. (*Permanent Secretary, Ministry of Housing and Local Government*); Alderman Lieut.-Col. Sir Herbert Shiner, D.S.O., M.C., D.L. (*Chairman of Executive Committee, County Councils Association*); Mr H. C. Treffers (*President of the Nederlands Instituut van Accountants*).

County Hall Reception

A reception for members and their ladies was given by the London County Council at County Hall on Wednesday evening.

INSTITUTE HISTORY, 1885-1960

A well-produced volume entitled *A Short History of The Institute of Municipal Treasurers and Accountants 1885-1960* has been published this week to coincide with the seventy-fifth anniversary conference. The book is the work of Mr T. L. Poynton, F.I.M.T.A., Borough Treasurer of Blackpool, and he shows himself to be a most able and painstaking historian. The wealth of information presented in the book's 150-odd pages is in concise and readable form and gives an interesting insight into the Institute's growth over the years. The book may be obtained from the Institute's offices at 1 Buckingham Place, London, SW1, price 7s 6d.

A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

Automatic Address Plate Embossing

EMBOSSING metal address plates is a somewhat laborious job. And although mistakes can be corrected, this incurs some delay.

A machine therefore which embosses automatically from standard punched paper tape is a notable advance. Such is the *Class 6700 Graphotype*, shown for the first time in this country at the recent Business Efficiency Exhibition in Birmingham.

Use of standard paper tape means that the original addresses can be prepared on a typewriter or other tape-punching office machine, thus offering a chance to make corrections before the plates are touched. Once in the address embosser, the tape automatically controls feeding of blanks, line and letter spacings and tabulations. After embossing, the machine rolls each plate to ensure that all characters are of uniform height and will therefore give an even print.

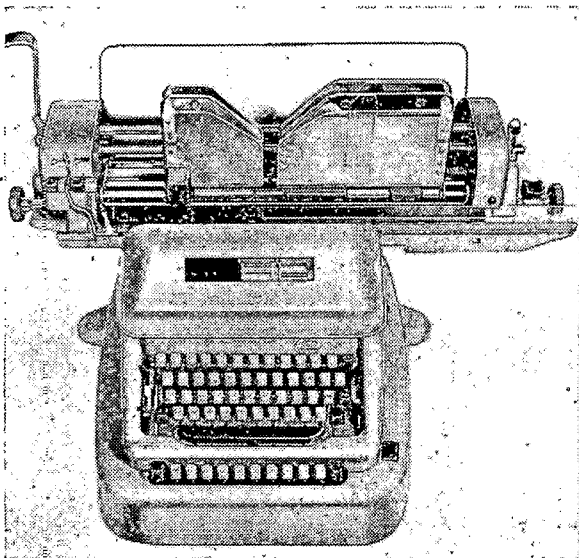
The makers claim that a single operator can comfortably attend to ten automatic *Graphotype* embossers. Basic price: £1,349.

Addressograph-Multigraph Ltd, Maylands Avenue, Hemel Hempstead, Herts.

Low-priced Accounting Machine

A FULL typewriter keyboard is provided on the *Anson S.2*, a new two-register accounting machine of modest price. It is made with a variety of carriage widths, and has an electrically powered carriage return.

All forms inserted into the front feed are automatically aligned into writing position by a system which senses a mark placed on cards during each entry. In this way, overprinting or wastage of space is avoided. The machine is suitable for a variety of applications, being controlled by a programme bar which is set up to individual requirements.



The Anson S.2.

New Office

An accounting machine of this pattern may be particularly acceptable to the small business which has not hitherto used machine methods. The keyboard layout closely resembles that of a standard typewriter and can therefore be used without difficulty by a novice.

Other machines in the series have one or several registers.

Price: About £600.

George Anson & Co Ltd, Solway House, Southwark Street, London, SE1.

Faster Cheque Output

A NEW, electrically-driven signature machine is said to be the fastest in the world with an output of 5,000 cheques or other documents per hour. It can be fed automatically or by hand, thus being usefully adaptable for long- or short-run work.

The *T.I.T.I.* is fitted with two inking fountains. This arrangement ensures that signatures are printed clearly, even at maximum speed. The ink cannot smudge, and defies attempts at erasure, the makers say. Each fountain holds sufficient fluid for about 35,000 impressions.

A carefully-designed control panel makes operation easy. Adjustments for different sizes and weights of paper are made in a few moments.

Security precautions are ample. Signatures appear on a background of a different colour, making alteration impossible. Plates, which may contain one or more names, can only be obtained from the makers, and cannot be inserted or released without a key. The machine cannot be started at all without using two keys – thus ensuring that (if keys are given to two persons) illicit use cannot occur without collaboration. Finished cheques are channelled to a locked receiving vault. Basic price: £520.

Halsby & Co Ltd, 52-53 Dean Street, London, W1.

Variants on the Typewriter Theme]

IT would be forgivable to assume that the possible variations on the typewriter have by now been exhausted. The latest proof that such an assumption is a fallacy comes in the form of two new machines in the Royal series, one designed for automatic typing, the other to speed form-filling.

The *Royaltypewriter* is an automatic machine which combines some of the best features offered by existing systems employing standard perforated paper tape and perforated paper rolls. Faster than any machines of this kind hitherto available, it re-types at a speed of 135 words per minute from a 3½-in. wide paper tape. This tape is prepared by typing a visual copy in the usual way, and is then ready for immediate reinsertion into the same machine for automatic re-typing. The tape can be cut to any length and is durable enough to be re-used thousands of times, the makers say.

There are two versions of the machine. The *Spool-*

quipment

Tape is an electric typewriter with built-in punch and reader and employs tape wound on a reel. The *File-Tape* model offers enhanced flexibility by using tape



The Royal

arranged in a flat pack – a design which allows random selection of any paragraph of the contents.

Automatic control of carriage movements in a vertical and horizontal direction on the *Spacetronic* speeds the filling of forms. The electric typewriter incorporates an electronic device which senses ordinary preprinted horizontal or vertical lines on the form, thereby providing automatic format control. The machine accepts forms printed in ordinary ink and operates satisfactorily even when thicknesses vary within a single set of forms.

Control is exercised by the design of the form itself, and is therefore infinitely variable. After paper is inserted into the platen, the machine's controls set the carriage into a 'home' position. It then rapidly bypasses vertically any position on the form where no typing is needed. To move the carriage horizontally, the typist uses a tab key, which causes the carriage automatically to stop directly after passing a vertically typed line, thereby setting itself into correct position for insertion of typed details. This procedure completely eliminates the necessity for pre-set tabulator stops.

The *Spacetronic* can be used by any typist without special training.

The Visible Writing Machine Co Ltd, 36 Worship Street, London, EC2

Versatile Small Accounting Machine •

DESIGNED to tackle all the everyday accounting jobs which may arise in a small or medium-sized business is the *Model 160*, a new machine in the *National* series. Its scope is widened by a control which permits immediate conversion to adding-subtracting-listing on a standard width tally roll. Modern trends are recognized by an optional facility for incorporating an automatic card or tape punch which operates during normal posting work.

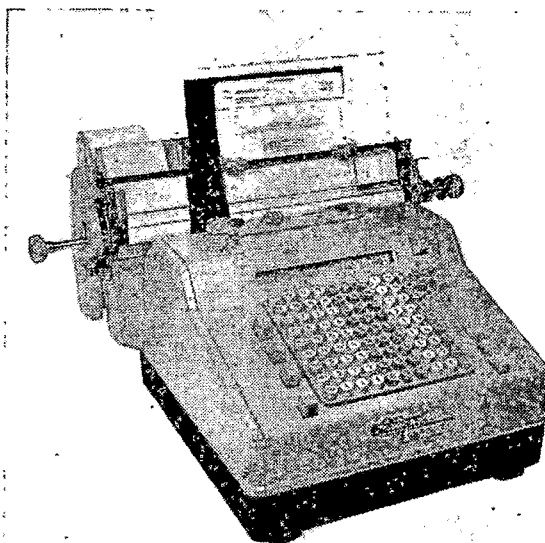
Like its larger brothers, the machine is programme controlled. A bar set up according to individual requirements, and inserted by the operator in a few seconds, controls functions such as tabulator stops, insertion of totals and sub-totals in the appropriate columns, add, subtract and non-add. One bar is provided for each kind of form filled in on the machine.

An improved front feed simplifies insertion and alignment of forms. The journal sheet is placed in the platen in the same way as in a typewriter; smaller forms are slid into position through the front feed, where plastic guides ensure correct alignment. All relevant information already on the forms is visible during operation, as are fresh entries, immediately they are made. The design of the dating mechanism has also been improved to make setting as easy as possible, insertion of a fixed date automatic, and to give at-a-glance visibility of the dial settings.

Amounts posted are automatically accumulated, and a proof total can be obtained at the end of a run by pressing a key designed for the purpose. Large visible dials show accumulated totals, thereby permitting a quick visual check of pick-ups.

The machine, like all in this maker's range, has a 'live keyboard' action – that is, the machine is actually operated by the amount keys. Its platen is split so that when the listing tape is used simultaneously with accounting forms, the two space independently. But when the tape is removed, the entire platen width can be used for forms.

National Cash Register Co Ltd, 206-216 Marylebone Road, London, NW1.



Model 160.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

• Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present address of the following members of the Institute. The town at which the member was last known is shown after each name.

Cecil Frederick Cade, F.C.A.	.. ..	Poole
Peter George Gibson, A.C.A.	.. ..	Taunton
Harry Leighton Linford Greaves, F.C.A.	.. ..	Blackpool
William Gretton, F.C.A.	.. ..	Broadstone
Walter John Keast, F.S.A.A.	.. ..	Exeter
Sidney Robert Knight, F.C.A.	.. ..	Seaton
Francis Walter Lait, F.C.A.	.. ..	Broadstairs
George Alexander Roberts, F.C.A.	.. ..	Enfield
Gilbert Taylor, F.C.A.	.. ..	Bristol

PROFESSIONAL NOTICES

MESSRS THORNTON BAKER & Co, Chartered Accountants, of Shell House, London Road, Leicester, announce that they have taken into partnership Mr P. A. SMITH, A.C.A., who has been associated with the firm for a number of years.

MESSRS TURQUAND, YOUNGS & Co announce that Mr PETER MIN-SANG YEW, A.R.A.N.Z., A.C.I.S., who has been with their Jesselton office for some years, has been taken into partnership in North Borneo.

MESSRS CASSON, BECKMAN, RUTLEY & Co, of 27 Queen Anne Street, London, W1, announce with deep regret the death on May 31st, 1960, of Mr F. L. GAWTHORN, F.A.C.C.A., a junior partner in the firm. The style of the firm will remain unchanged.

Appointments

Mr E. F. Tattersall, F.C.A., has been appointed a director of Roads Reconstruction (1934) Ltd.

Mr D. Bussell, M.B.E., F.C.A., has been elected chairman of Yutton Furniture Ltd and its subsidiary, Bath Cabinet Makers Ltd.

THE BRITISH INSTITUTE OF MANAGEMENT

The British Institute of Management has announced that fellowship of the Institute has been offered to, and has been accepted by, Sir John Keay, A.C.A., chairman and managing director, English Clays Lovering Pochin & Co Ltd; Mr R. S. Cranston, B.A., A.C.A., M.B.I.M., managing director, Adrema Ltd; Mr G. Ireland, F.C.A., managing director, Harris & Sheldon (Holdings) Ltd; and Mr H. C. Ryan, F.C.A., A.M.B.I.M., managing director, Aveling-Barford Ltd.

MIGRATION OF COMPANIES

The Chancellor of the Exchequer has appointed Mr P. R. Johnston, a former partner in Coward Chance & Co, Solicitors, to the advisory panel which advises him on the administration of Section 468 of the Income Tax Act, 1952, which requires a company to obtain the consent of the Treasury before transferring its management or control outside the United Kingdom. The present members of the panel are Sir James Millard Tucker, Q.C. (Chairman), Sir William Carrington, F.C.A., and Mr A. H. Carnwath.

LEICESTERSHIRE & NORTHANTS SOCIETY OF CHARTERED ACCOUNTANTS

New President Elected

At the recent annual meeting of The Leicestershire and Northamptonshire Society of Chartered Accountants, Mr W. G. Fox, T.D., D.L., J.P., M.A., F.C.A., was elected President of the Society for the ensuing year.

Mr Fox, who is senior partner in the firm of Fox & Co, Chartered Accountants, of Leicester, and a partner in the firm of W. H. Yates & Co, Chartered Accountants, also of Leicester, was educated at Wyggeston School and Oxford University. He served his articles with Mr C. E. Bream, of Freeman, Bream & Co, Leicester, being admitted an Associate of the Institute in 1932. He was elected to Fellowship in 1951.

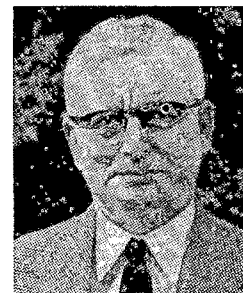
Mr Fox served with the Royal Artillery, Territorial Army, from 1932 to 1949, and was in France in 1940, being evacuated through Dunkirk. He later served in India and Burma from 1942 (in which year he was promoted Lieut.-Col.) to 1945.

On the reformation of the Territorial Army in 1947 he was responsible for the resuscitation of his peacetime unit which he commanded until his retirement in 1949. He was appointed Deputy Lieutenant of Leicestershire in 1952 and a J.P. for Leicester in 1955.

Mr Fox was President of The Leicestershire and Northamptonshire Chartered Accountant Students' Society from 1957 to 1959.

Other officers elected for the ensuing year are as follows:

Vice-Presidents: Mr C. R. Riddington, F.C.A., and Mr H. M. Lepper, F.C.A.
Hon. Librarian: Mr W. E. Willis, D.F.C., B.A., F.C.A.



Mr W. G. Fox

JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Hon. Secretary and Treasurer: Mr G. L. Aspell, T.D.,
D.L., F.C.A., 4 Wycliffe Street, Leicester.

Hon. Asst. Secretary: Mr R. E. Watkins, A.C.A.

Report for 1959

The Society's report for the year ended December 31st, 1959, records a total membership of 464.

Lecture meetings were held during the year at Leicester and at Northampton and the Leicester Chartered Accountants' Discussion Group met for luncheon meetings on several occasions. The annual dinner was held in Northampton when 197 members and guests attended and a dinner dance took place in Leicester. Prior to the annual dinner the President of the Institute took tea with the Northampton students, whom he addressed: over seventy students were present.

It is interesting to note in the report that the retiring President, Mr J. B. Corrin, F.C.A., is arranging to have the President's Badge altered to include the Arms of the town of Northampton; at present the Badge bears only the Arms of the City of Leicester.

THE NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS

Mr H. J. Clarke, F.C.A., senior partner in the firm of Winckley & Clarke, Chartered Accountants, of Nottingham, has been elected President of The Nottingham Society of Chartered Accountants for the year 1960-61.



Mr H. J. Clarke

Mr Clarke, who was admitted an Associate of the Institute in 1926 and was elected to fellowship in 1946, practised in his own name until 1932 when he and the late Mr H. J. Winckley formed the partnership of Winckley & Clarke.

Mr Clarke has been a member of the Nottingham Society since 1929 and was elected to the committee in 1960. He served as honorary secretary and treasurer during the years 1952-55.

The new Vice-President of the Society is Mr E. Cross, F.C.A., senior partner in the firm of Harrison & Sedgwick, Chartered Accountants, of Nottingham.

Report for 1959

The report of the committee for 1959 records a total membership at the year-end of 447.

Five luncheon meetings were arranged and a 'Brains Trust' was held in conjunction with the Inland Revenue. The committee records the Society's appreci-

ation and gratitude to Sir Harold Howitt for his action in establishing a trust fund, the income from which will be used to maintain a yearly prize to be called the Howitt Prize for the student in the Final examination who has, in the opinion of the trustees, best equipped himself or herself under articles as a potential member of the Institute. The establishment of the prize was announced in *The Accountant* of January 30th.

The Derby Branch arranged a number of meetings during the year and two successful social functions – the annual dinner and annual dinner-dance – were held.

SHEFFIELD AND DISTRICT CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The sixty-ninth annual report of the committee of the Sheffield and District Chartered Accountants' Students Society, presented at the Society's recent annual meeting, shows that membership at December 31st, 1959, totalled 273 ordinary members (an increase of nine over the year) and 117 honorary members.

Six evening lectures were held during the winter months but the attendance, the report states, was very poor when related to the total membership of the Society. It is planned to hold future lectures every fortnight and it is hoped that more members will thus develop the habit of attending lectures more regularly. The second joint residential course was held at Buxton in the autumn at which nineteen members of the Society attended. The Society's newly-formed Doncaster Branch has proved, in its first year's existence, to have been a great success. The attendances of members at functions has been very high indeed.

Social activities during the year included the Christmas party, the annual dinner and dance and the President's sherry party for new members of the Society.

RETURN OF RATES

The fifteenth annual return of rates for England and Wales for 1960-61, published by The Institute of Municipal Treasurers and Accountants last week, contains particulars of rates levied and gives details of rates levied per head of population. The figures relate to all county boroughs and metropolitan boroughs and a representative selection of non-county boroughs, urban districts and rural districts all of which show a rise over the preceding year.

During the current financial year, the return shows that the average rate levied in county boroughs is 20s 11d, an increase on 1959-60 of 1s. For metropolitan boroughs this year's figure is 17s 4d, a rise of 4d on the preceding year; for non-county boroughs

¹ *Return of Rates, 1960-61.* The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1. Price 12s 6d post free.

MOTOR — FIRE — CONSEQUENTIAL LOSS

CAR & GENERAL INSURANCE L^{TD}
CORPORATION

83 Pall Mall, London, SW1

the rate is 11d higher at 21s 2d and urban and rural districts show a rise of 10d and 7d respectively.

The highest charge on the ratepayer still continues to be education and highways, and public lighting also takes a large proportion.

GOLF

Liverpool Society of Chartered Accountants

The annual golf competition of the Liverpool Society of Chartered Accountants was held at Heswall Golf Club on May 20th, when fifty-seven cards were taken out. The leading results, under the Stableford system of scoring, were as follows:

L. D. Hayward	..	..	34 points	1st member
E. S. Behn	..	..	34	2nd member
F. H. Veysey	..	..	32	..
R. C. Johnston	..	..	31	..
F. D. M. Lowry	..	..	30	..
W. S. Wicks	..	..	30	..
J. F. Allen	..	..	30	..
*G. A. Maxwell	..	..	30	..
V. A. Sola	..	..	29	..
K. Adams	..	..	29	..
*J. F. Lascelles	..	..	28	..
*I. W. Champion	..	..	28	..

Messrs Hayward and Behn will play off for the Society's Cup.

* Articled clerk.

The President, Mr J. M. Harvey, M.B.E., F.C.A., and forty-three members of the Society and articled clerks later attended a dinner held in the club house.

THE BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

Addressing members of The Belfast Society of Chartered Accountants on the 'State graduated pension scheme' at a meeting held recently, at which Mr D. Lorimer, F.C.A., chairman of the Society, presided, the guest speaker, Mr E. J. Holland, pensions superintendent of the Norwich Union Insurance Co, pointed out that two unique features of the scheme were the graduated contribution and the provisions for contracting out. No other country had found contracting out to be a practical proposition. He emphasized that the State scheme was neither meant to compete nor compare with occupational schemes.

Mr Holland said that it was difficult to generalize, as decisions as to whether to contract in or out could only be made by reference to the specific circumstances in each firm, but on the whole it would be an advantage to contract in to the State scheme in respect of employees earning less than £12 to £13 per week

and to contract out for employees earning more than this. Many firms, he said, were, however, deciding to contract all employees into the State scheme and at the same time were continuing existing, or super-imposing new, occupational schemes as a supplement to the State scheme.

THE CHARTERED ACCOUNTANTS IN IRELAND GOLFING SOCIETY

The annual general meeting of The Institute of Chartered Accountants in Ireland Golfing Society was held at the County Sligo Golf Club, Rosses Point, during the week-end of May 28th to 30th. The following were the results of the competitions:

SMYLIE CUP (BOGEY)

1st	C. G. Hayes (18), 2 up.
2nd	N. R. Beamish (10), 1 up (runner-up on second nine).
3rd	J. H. Sedgewick (16), 1 up.

QUIN CUP (STABLEFORD)

1st	W. S. Orr (24), 41 points.
2nd	C. G. Hayes (18), 36½ points.
3rd	J. B. Kelly (24), 35 points.

The aggregate trophy was won by N. R. Beamish, while the North v. South Cup was won by South.

At the annual business meeting of the Society, Mr James Graham, F.C.A., was elected captain for the ensuing year and it was decided that the 1961 meeting be held at Rosses Point during the week-end May 27th to 29th.

ECONOMIC CONDITIONS IN THE REPUBLIC OF IRELAND

Another booklet in the 1960 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation contains a comprehensive analysis of economic conditions in the Republic of Ireland. The booklet is available from H.M. Stationery Office, price 2s 6d.

SUNDRIDGE PARK COURSE

A one-week residential course on 'Costs, profits and the manager' will be held at Sundridge Park Management Centre from July 17th to 22nd.

The purpose of the course is to promote cost and profit awareness among managers and to induce action at all levels to improve and control profits. Practical case studies, conducted on a syndicate basis, will form an important part of the programme.

Further particulars of the course are obtainable from the Director, Sundridge Park Management Centre, Bromley, Kent.

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Penalties New Look - III

PROCEEDINGS for fines or penalties under the Income Tax Acts, as proposed in this year's Finance Bill, may in general be commenced either before the General Commissioners or the Special Commissioners. Alternatively they may be brought in the High Court in England, or Northern Ireland under Part II of the Crown Proceedings Act, 1947. In Scotland, proceedings not commenced before the Commissioners can be brought in the Court of Session. In the ordinary way a taxpayer who has incurred a penalty would prefer proceedings before the Commissioners: these would be cheaper and unaccompanied by publicity, moreover the Crown would be unable to require him to pay its costs. However, the Crown has the choice and is unlikely to have regard to the taxpayer's convenience.

Proceedings before the Commissioners will be by way of information made to them in writing. They will then summon the defendant to appear before them and will hear and determine the case 'in a summary way'. Any penalty they award will be treated for all purposes as tax charged in an assessment and due and payable. Thus, all the ordinary powers of the tax collector will be available for the recovery of the penalty. In proceedings for a penalty of a fixed amount, e.g. £50, the Commissioners can award the Crown a smaller amount. It is too early to say whether they will award 'contemptuous' penalties where a penalty has been incurred but they think that proceedings ought not to have been brought.

Either party may appeal on a question of law from the Commissioners' decision, the appeal being to the High Court (in Scotland the Court of Session). The taxpayer only may appeal against the amount of any fine or penalty awarded by the Commissioners but the Appeal Court may increase the fine on such an appeal, within the statutory maximum. Broadly speaking, questions of law may be divided into two categories. Dispute as to the meaning of the words of the relevant legislation is always a question of law. Even where only facts are in issue, it is a question of law whether there is evidence to support the Commissioners' decision as to the facts, or whether, on the evidence, the decision is plainly unreasonable.

Where Commissioners are dealing with an income tax appeal, the existing law gives them certain powers which are reinforced by penalties. They may issue precepts to the appellant requiring information, and they may summon witnesses and examine them. The existing penalty for failure to deliver a precept is £20 and treble the tax chargeable, but this is to be replaced by the penalties

prescribed by clause 43. The penalty on a defaulting witness is £20 but is to be increased to £50.

- In either case, proceedings by information would be inappropriate. Since the offence, so to speak, is against the Appeal Commissioners themselves, and is analogous to contempt of Court. Clause 55 accordingly authorizes the Commissioners to inflict these penalties summarily, notwithstanding that no proceedings for their recovery have been commenced. The person on whom the penalty is imposed may appeal to the High Court, which may confirm or reverse the Commissioners' decision, or reduce the penalty. The penalty is to be treated as tax charged in an assessment which is due and payable.

The new Bill extends, in certain circumstances, the time limit for taking penalty proceedings. The existing limit is six years from the date the penalty was incurred. Where the penalty is in connection with tax charged in an assessment for any year after 1935-36 and fraud or wilful default has been committed by or on behalf of the defendant in connection with that tax, the time limit is already extended so as to authorize proceedings to be begun within three years after the final determination of the assessment. However, the Inland Revenue is not always able to prove fraud or wilful default and it often happens that by the time a back duty case is nearing settlement the time limit for penalty proceedings has expired.

Clause 50 (i) applies the above extension to cases where fraud or wilful default is absent, but only if the amount of the penalty is determined by reference to tax charged in an assessment made not later than six years after the year to which it relates. Thus, if facts come to light in, say, March 1966 which indicate that all is not well with the year 1959-60, and a 'protective' additional assessment is at once made for that year, then the time taken up in finalizing the liability for 1959-60 will not count. If it takes until April 1967 to settle the 1959-60 liability, the Revenue will still have until April 1970 to sue for a penalty for the 1959-60 understatement even though they cannot prove fraud or wilful default.

In clause 50 (2) the draftsman has introduced a piece of retrospection which seems to have escaped the notice of the guardians of our liberties. This sub-clause provides that where the amount of tax was determined before April 6th, 1959, proceedings can be started at any time before

April 6th, 1962. Thus, in a case where the inquiry was concluded long before this Finance Bill was drafted, and where the time limit for proceedings had already expired, the Inland Revenue are now to have until April 1962 to bring proceedings.

Hitherto, mere neglect in making a return, although attracting very large penalties, has not extended the ordinary six-year time limit for making assessments on the guilty person. Fraud or wilful default, on the other hand, results in the abrogation of time limits in respect of all years after 1935-36, in so far as necessary for the purpose of recovering tax underpaid as a result of the fraud or wilful default. Clause 48 of the new Bill now contains complicated provisions for a limited extension of time limits, confined to cases where the assessment is required to make good to the Crown a loss of tax attributable to the taxpayer's 'neglect'. This word receives a two-pronged definition in clause 58 (1). It means (a) negligence or (b) a failure, without reasonable excuse, to give any notice, make any return, statement or declaration, or to produce or furnish any list, document or other information required by or under the Income Tax Acts. The general effect of this definition is to throw most of the burden of proof on to the taxpayer. If his return is incorrect, that will go a long way to proving negligence unless he proves the error was not his fault. If he fails to make a return at all, he must produce a reasonable excuse.

The condition for the application of clause 48 is that an assessment shall already have been made on a person, within the ordinary six-year limit, for the purpose of making good to the Crown a loss of tax wholly or partly attributable to his (a) fraud, (b) wilful default, or (c) neglect (as defined in clause 58 (1)). The year of this assessment is called 'the normal year', although it is difficult to see what the normality consists in. When the tax for this normal year has been finally determined (i.e. can no longer be varied either by the appeal Commissioners or by the Court) the Revenue will have until April 5th in the following tax year (or April 5th, 1962, if later) in which to raise assessments (without leave) for any year not earlier than six years before the end of the normal year (clause 48 (3) (9)).

(To be concluded.)

Progress in Industry

AN interesting and useful piece of economic research on progress in British manufacturing industry in the period 1948-54 appeared in the March issue of the *Economic Journal*. One of the aims of the study, by W. B. REDDAWAY and A. D. SMITH, of Cambridge, was to relate changes in 'productivity' as usually understood, to changes in industrial efficiency.

Changes in productivity or output per man are often put forward as evidence of economic progress. If output per man rises, it is often implicitly assumed that industrial efficiency has increased by a like amount; in other words, cost of production has fallen by that proportion. Trade unions tend to use this kind of reasoning in wage determination if statistics show that output per man is rising. But the concept of labour productivity ignores other factors which may have contributed to higher efficiency—for example, the greater use of capital equipment, increased research effort, and so on. Ideally, any measure of efficiency should relate changes in output to changes in all inputs—labour, capital, research, and the like—and not to one input alone.

This particular study associates output with both labour and capital employed, and, as such, makes an important advance in our knowledge. After considering various approaches, the authors decided that capital input could best be reckoned by charging a rate of 15 per cent per annum on the written-down capital valued at replacement cost. Capital in this context includes stocks and work in progress, as well as fixed capital. The justification for the 15 per cent ratio is the authors' calculation that in 1948 the true net output of manufacturing industry represented about 15 per cent of the net capital employed. Trial and error has shown that a ratio of somewhat higher or lower level would have little significant effect on the final calculation. In order to derive this relationship and apply it to estimates of net capital and stocks, the researchers have called upon a vast range of information, in particular, the now famous estimates of fixed capital assets made some years ago by MR P.

REDFERN and DR T. BARNA; their *modus operandi* is fascinating, and the present study gives a lengthy description of it.

For manufacturing industries taken as a whole, labour productivity increased by 18 per cent between 1948 and 1954, whilst capital productivity—i.e. output per unit of capital employed—grew by only 4 per cent. Net output increased by 33 per cent, the employment factor by 12½ per cent, and net fixed capital and stocks by 28 per cent.

In almost every industry the capital employed has increased by a larger relative amount than has the labour used. Thus, part of the recorded increase in labour productivity implied in greater output per man is attributable to the increase in capital intensity. When the increased use of capital is allowed for in accordance with the formula adopted by the authors, the productivity increase in manufacturing falls from 18 per cent to just over 13 per cent for the period under review. In the vehicles industry the straight output-per-man increase between 1948 and 1954 is 23½ per cent, but when increased capital intensity is considered, this figure comes down to 17½ per cent. The conventional method gives a productivity increase of 21 per cent for mechanical and electrical engineering, the calculation under this new concept gives an increase of just over 16 per cent. Even more startling is the effect of this method of calculation on the output-per-man figures for the chemicals and metal industries.

Labour productivity in chemicals increased by 42 per cent between 1948 and 1954 but when due allowance is made for the heavy capital investment in the chemical industry the figure is brought down to 22 per cent. For the metal industries the corresponding figures are 19 per cent and 5 per cent.

There is no doubt that 'progress' in manufacturing is far better summed up in MESSRS REDDAWAY and SMITH's indicators than in output-per-man indices. The application of these new techniques to the full census of production figures for 1958 will be awaited with much interest.

Investment of Charitable Funds

by SPENCER G. MAURICE

THE problem of investing moneys held upon charitable trusts is not basically different from that of investing other trust funds; that is to say, the trustees can generally invest only within the field permitted by Section 1 of the Trustee Act, 1925, unless the founder of the charity has, in the instrument of foundation, permitted a wider range. Different considerations arise, however, when the possibility is contemplated of increasing that range; in some respects it is easier to obtain a revision of the investment clause of a charitable trust than of a private one, but occasionally the constitution of a charitable trust is such as to make any projected change a matter of great difficulty. The procedure to be followed to achieve the desired end to some extent depends upon the manner in which the charity was founded, whether by Royal Charter, or by Act of Parliament, or as a limited company, or as an unincorporated association, or otherwise.

The Court's Inherent Jurisdiction

The question of the Court's jurisdiction in this sphere has been considered in several recent cases. In *Re Royal Society's Charitable Trusts*, *Royal Society v. Attorney-General* ([1956] Ch. 87; [1955] 3 All E.R. 14), Vaisey, J., after referring to the rather ill-defined scope of the Court's general jurisdiction in regard to trusts, referred to various authorities in support of its particular jurisdiction in regard to charities, more especially with reference to its inherent jurisdiction to regulate by scheme the mode by which the objects of a charity may be attained, albeit the Court cannot, in the absence of failure of trust, vary the objects themselves.

In the case before him, his lordship was asked to authorize the applicant society to invest in specified securities not falling within the range of authorized investments. He was also asked to authorize the consolidation of investments representing any one or more of a large number of charitable funds of which the applicant was trustee with the investments representing any other or others of such funds, or with investments representing any other charitable trust or trusts of which the applicant might become trustee (being a trust or trusts itself or themselves containing the necessary power to consolidate), to the intent that the investments representing all such trusts so consolidated might

be held as one or more consolidated fund or funds and that the trusts so consolidated might be treated for the purpose of investment and accounting as consisting of aliquot portions of the consolidated fund or funds.

The applicant's case was put forward in the first instance as one which came within Section 57 of the Trustee Act, 1925, which is a provision under which the trustees of private trusts may, in certain circumstances, obtain the sanction of the Court to transactions expedient in the management of the trust but incapable of achievement under the trust instrument. Alternatively, the applicant's case was put as being within the scope of the Court's general jurisdiction. Vaisey, J., took the view that the matter came neither within Section 57 nor within the general jurisdiction of the Court, but that he could properly proceed to make the order sought on the basis of the Court's inherent jurisdiction in regard to charities, the Attorney-General, who in a sense represents all the objects of charity, consenting or not objecting.

The Charity Commissioners and the Minister of Education

Section 2 of the Charitable Trusts Act, 1860, gives to the Charity Commissioners for England and Wales a scheme-making power concurrent with that of the High Court of Chancery (now represented by the Chancery Division of the High Court of Justice), and the Minister of Education now has similar powers in regard to charities coming within his jurisdiction. The decision of Vaisey, J., in *Re Royal Society's Charitable Trusts*, that the investment powers of a charity could be altered by a scheme, has thus opened the way to the making of schemes to this end by the Commissioners and the Minister. Charity trustees who wish to obtain wider investment powers have thus the possibility of doing so by the easy course of an application to the appropriate central authority, but naturally they cannot expect to obtain from the Commissioners or the Minister, as the case may be, wider powers than could be obtained from the Court. Clearly, the central authorities in making schemes would have careful regard to the provisions of the schemes which the Courts have authorized.

Not unnaturally, however, there is some divergence between the orders made by different

judges in cases of this kind. Thus, in *Re Royal Society's Charitable Trust*, it was a term of the order that no fund should be invested outside the strict trustee security range if the value of the investments in that range should at the time of, or would by reason of, the proposed investment become less than one-third of the total value of the fund. Similarly, in *Re Westminster Abbey's Appeal Fund* (*The Times*, May 28th, 1959) up to two-thirds of the fund were permitted to be invested in securities outside the strict range. In *Re Royal Naval and Royal Marine Children's Homes, Portsmouth, Lloyd's Bank Ltd and Others v. Attorney-General* ([1959] 2 All E.R. 716, note), however, Roxburgh, J., ordered the trust fund to be divided into two parts of specified proportions and provided that moneys forming part of one such part might be invested only in the strict trustee range while moneys forming part of the other such part might be invested either in that range or in the extended range.

Jurisdiction under the Trustee Act

In *Re Shipwrecked Fishermen and Mariners' Royal Benevolent Society Charity* ([1959] Ch. 220; [1958] 3 All E.R. 465), Danckwerts, J., made an order extending the permissible range of investments under Section 57 (1) of the Trustee Act, 1925, but this case is possibly distinguishable from *Re Royal Society's Charitable Trusts* because the charity in the latter case was founded by Royal Charter whereas that in the former was regulated by statute, namely, the Shipwrecked Fishermen and Mariners' Royal Benevolent Society's Act, 1850. The charity's original power of investment was contained in Section 11 of that Act. The powers of investment therein contained were even more limited than those contained in Section 1 of the Trustee Act, 1925, and it was accepted that the investments referred to in that section were now open to the charity.

The learned judge took the view that if Section 1 of the Trustee Act had modified the provisions of the Act of 1850, so also they might be modified by resort to Section 57 of the Trustee Act. Danckwerts, J., referred to the view expressed by Vaisey, J., in *Re Royal Society's Charitable Trusts* that Section 57 did not apply, saying that he did not think that Vaisey, J., had gone into the matter because he found himself, as he considered, able to make a scheme which would produce, in the case of the trusts which were before him, exactly the same results as were asked for under the provisions of the Trustee Act.

Danckwerts, J., did not, however, refer to an

earlier case, *Trustees of the London Parochial Charities v. Attorney-General and Others* ([1955] 1 All E.R. 1), where Roxburgh, J., took the view that the Court had no inherent jurisdiction to modify a scheme made by Order in Council under Sections 33 and 34 of the City of London Parochial Charities Act, 1883, and apparently did not consider the question of any possible statutory jurisdiction. It does not appear from the report what modification of the scheme was desired – whether increased investment powers or otherwise – but this is not really material, for the reasoning of Roxburgh, J.'s, judgment is clear. The existing scheme gave to the Charity Commissioners power to vary it, and Roxburgh, J., held that in the circumstances the jurisdiction so to do lay with the Commissioners alone and did not extend to the Court. The case is distinguishable from *Re Shipwrecked Fishermen and Mariners' Royal Benevolent Society Charity* because of the peculiarity that the existing scheme had statutory force and particular machinery was provided for its modification. It is mentioned here only to draw attention to the fact that in the comparatively rare cases of charities regulated by statutes, there may be special provisions which affect and even oust the jurisdiction of the Court. In the case in question, the statutory provisions did not occasion any hardship because it was open to the trustees to go to the Charity Commissioners and ask them for an order.

Evidence Supporting Applications

It has been the practice in making applications for wider investment powers to file evidence by a stockbroker or other expert of the desirability of the course proposed. In *Re Allen's Settlement, Allen v. Allen and Others* ([1959] 3 All E.R. 673 (Practice Note)), Vaisey, J., said that in future it would be unnecessary to file evidence of this kind containing general matters of economic and financial history or argument in general terms as to the wisdom of extending powers of investment, but indicated that this direction was not intended to preclude the filing of expert evidence relating to matters peculiar to the particular application which an applicant was advised should be brought to the attention of the Court. His lordship was dealing with an application under Section 1 of the Variation of Trusts Act, 1958, a provision which does not appear to be appropriate where the trusts concerned are charitable; but his lordship in dealing with the practice as regards evidence expressly referred to the case of charities.

• • • Incorporated Charities

While the investment powers of a charity incorporated by Royal Charter or by statute depend upon the provisions of the Charter or statute as the case may be, though it may be open to the Court or the Commissioners or the Minister to vary them, a charity which is incorporated under the Companies Acts is in an advantageous position so far as powers of investment are concerned. It seems that such a company has only to resort to the power of altering its memorandum of association contained in Section 5 of the Companies Act, 1948, in order to obtain the widest possible powers of investment. This freedom may, indeed, be open to some criticism, for it seems that if a charity thus incorporated were to indulge in speculative investment to the detriment of the beneficiaries it would be difficult, if not impossible, to bring home to any particular individual responsibility for any loss suffered by the trust fund. This is a point which might, perhaps, be dealt with in the forthcoming legislation on charities.

Unincorporated Charities

That an unincorporated association which exists for charitable purposes has not the same freedom of altering its powers of investment, appears from *Re Tobacco Trade Benevolent Association, Sinclair (Baron) and Others v. Finlay & Co Ltd and Another* ([1958] 3 All E.R. 353). As is commonly the case with charities, the affairs of the Association were conducted in accordance with a set of rules. The original rules contained no power whereby they might be altered, but subsequently they were treated as alterable and were altered in such a way as to increase the Association's power of investment. Harman, J. (as he then was), held that as the Association's original rules contained no power whereby they might be altered the alterations made were invalid. His lordship suggested that the alterations might have been valid if they had received the concurrence of every member of the body, but it is respectfully suggested that this is a somewhat doubtful proposition when an association exists for charitable purposes and it is not possible for the members thereof for the time being to treat the funds of the association as belonging to themselves absolutely. His lordship expressed himself unwilling to decide whether, if in the beginning the rules had provided a power to alter them, the Association could then have made use of that power to widen its investment capacity, but he went so far as to say that his impression was that no such alteration could be made. It was, however,

possible, as Harman, J., pointed out, for the trustees in the instant case to apply to the Charity Commissioners for a scheme.

Rules Altered to Widen Investment Powers

Harman, J.'s dictum was not followed by Cross, J., in *Re The Jewish Orphanage Endowment Trusts, Sebag-Montefiore and Others v. Rothschild Executor and Trustee Company and Another* ([1960] 1 All E.R. 764). The charity in question was governed by a scheme of the Charity Commissioners by which power was given (by clause 75) to the governors of the charity to alter the rules provided that the alteration did not involve a deviation from the main principles of the scheme. Clause 56 permitted the investment of the funds of the charity in a specified range of investments. The validity of a resolution extending this range was questioned by the Charity Commissioners: it was argued, first, that so far as clause 75 purported to cover an alteration of the range of investments permitted by the scheme as originally framed, it could have no legal effect; and, alternatively, that clause 75 did not cover such an alteration since it would constitute a deviation from the main principles of the scheme. In support of the first contention reliance was placed on the dictum of Harman, J., referred to above. Cross, J., however, saw no reason why, if a testator or settlor could empower his trustees to invest outside the trustee investment range, he should not be entitled to confer on someone else a power to enlarge the original investment clause; and he did not consider a clause prescribing the manner in which funds could be invested a main principle of a charitable trust. Accordingly, his lordship declared valid the resolution in question.

Prospects of Wider Powers

The Charities Bill,¹ now before the House of Lords, is not concerned with the general question of investment of charitable funds. This is recognized to be a part of the wider problem of the investment of trust funds as a whole, and the Government's intention is that it should be dealt with by separate legislation. The proposals of the Government in this connection have already been published in the form of a White Paper, *Powers of Investment of Trustees in Great Britain* (Cmnd. 915), published in December 1959,² and it is not intended to refer to the

¹ See *The Accountant*, February 13th, 1960, page 186.

² See *The Accountant*, January 2nd, 1960, page 3.

specific proposals here. It should, however, be observed that it is not the intention, as is made clear in the White Paper, that the existing power of the Court in England and Wales to extend the range of investment for particular trusts should be curbed. From time to time cases are likely to come before the Courts where there are special reasons for allowing wider powers of investment than the proposed legislation is likely to give, and it is to be hoped that the Court will not feel in any way inhibited by what Parliament has decreed. It is a cause of some regret, indeed, that there has already been some tendency to restrict powers granted in particular cases with reference to the general powers proposed: thus Roxburgh, J., in making his order in *Re Royal Naval and Royal Marine Children's Homes, Portsmouth*, was prepared to make an interim order only.

Common Investment Funds

An interesting development is contained in clause 21 of the Charities Bill, which provides that the Court, the Charity Commissioners and the Minister of Education may by order make and bring into effect 'common investment schemes' for the establishment of common investment funds under trusts which provide for property transferred to a fund by, or on behalf of, a charity participating in the scheme being invested under the control of trustees appointed to manage the fund, and for the participating charities to be entitled (subject to the provisions of the scheme) to the capital and income of the fund in shares determined by reference to the amount or value of the property transferred to it by or on behalf of each of them. Such a scheme may be made on the application of any two or more charities and it may be made in terms admitting any charity to participate, or restrict the right to participate in any manner. It may make provision for, and for all matters connected with, the establishment, investment, management and winding-up of the common investment fund; a number of such matters is specifically mentioned. As well as being invested in such funds, charity moneys may be deposited with them at interest.

The Official Custodian who is to replace the Official Trustee of Charity Lands and the Official Trustees of Charitable Funds may be appointed trustee for all purposes of a common investment fund, if the scheme is made by the Charity Commissioners or, if it is made by the Court or the Minister, if the Commissioners consent. Where, however, a common investment scheme provides for the Official Custodian to exercise

any discretion with respect to the investment of the fund, it must also provide for him to be advised by a committee of persons having special experience of investment and finance or of the administration of trusts, or representing or being nominated by bodies having that experience. It is provided that the powers of investment of every charity are to include power to participate in common investment schemes, unless such power is specifically excluded. A common investment fund is to be deemed for all purposes to be a charity.

Special Unit Trusts

In conclusion, mention should be made of a new development in the field of charity investment in the form of a unit trust designed to meet the needs of recognized charities. The Equities Investment Fund for Charities, known for short as Charifund, is run by a management company, itself non-profit-making, with a board of directors specially qualified in the charity, as well as in the investment, field. Normally the Fund will invest only in equity shares and accordingly it is a prerequisite to a charity purchasing units in the Fund, that it should have itself power to invest in such shares.

Since, however, it is clear from the constitution of the Fund that it provides a safe means of investment calculated to preserve capital and give a reasonable yield, it seems likely that charities may be able to obtain power to invest in it more easily than to invest in equities in the ordinary way. Furthermore, it is clear that it is no use at all a charity with only a small endowment applying for a scheme giving it powers of investment on the basis of, for example, the order in *Re Royal Society's Charitable Trusts*; but there seems no reason why charities with quite small endowments should not be given power to invest in Charifund.

Amongst the advantages which Charifund is able to offer to charities are gross distributions, because arrangements have been made by the managers to reclaim tax deducted in respect of a fund's income, and stamp duty advantages where the managers are prepared to accept in exchange for units equity investments already held by investors in the Fund.

Perhaps the greatest advantage, however, is expert management coupled with a wide spread of investments. There seems good reason to suppose that this form of investment will be popular, and that Charifund will prove to be only the first of a number of unit trusts operating solely in the field of charity.

Running the Smaller Office

6 - CONTROL OF FORMS

by AN O. & M. ADVISER

THERE are few more rewarding places to look for improvements than in office stationery and forms of various types. At some time in their history most organizations, irrespective of size, have given different people *carte blanche* to originate new forms or stationery. Today, paper is an expensive commodity and the economies of controlling types of stationery and of getting the benefits of longer printing 'runs' are well worth having.

The way to begin is to make a collection of every type of form and headed paper, printed or duplicated, which circulates in or emanates from the office; then test each one by a series of criteria. Does it serve its purpose efficiently? With simple modification might it serve a similar or allied function? Might it, indeed, be scrapped altogether? Is it clearly marked with a title to show its purpose? Is the marking so clear that a new junior can identify it if sent for it without confusing it with another?

Clear and Simple Records

The first two questions enumerated are basic: each piece of paper must have a job to do and do it well. Be suspicious about all forms; it may well be that many of them are purely defensive - devised originally perhaps by someone to provide a written record to prove that if anything goes wrong it is somebody else's fault. Needless to say this attitude is not to be tolerated; paper records should be simple, clear and purposeful. Furthermore, it is insufficient merely to look at the immediate job a piece of paper does. Find out where it comes from and how the information gets on to it. How many are produced in a given unit of time? How often is it referred to? How long is it in active use while doing its job? How is it sorted and filed? These questions can throw up inefficient paper work and silly systems which have no claim to continuation except habit.

Once it has been decided that a certain number of forms and types of stationery are necessary, a master file of copies should be assembled, each type of form being serially numbered, as well as having a clear title.

Each form should next be checked from a lay-out point of view. Is it easy to understand and clear in its requirements? Is it styled so that it will give the typists or machine operators the minimum work aligning typewriter carriages or adjusting machines if such is necessary? Is each form as free as possible from different kinds of type and lines, especially faint ruling vertical 'pen ruled' lines, which necessitate additional reproductive processes? If 'boxes' are used on forms does the information required in them always run in the same direction across the page? In many of these matters the printer can help and advise if he has not been consulted before.

When it comes to controlling forms and headings, the important thing is to have a central authority. Someone doing the job of office manager should have the master file and no one should be allowed to create a form without his permission. He has the master list and can compare the proposed new form with what already exists. He can see if the new one is really necessary, or whether an existing form could be used either in its present style or slightly modified to meet the case.

Centralized Control

The ordering and issue of stationery should also be centralized. It may be desirable to delegate the actual ordering of stationery but the responsibility should be ultimately with someone in authority. No department or section should be allowed to order new stationery at will. The clerk, or whoever is actually issuing stationery, should have maximum and minimum stock figures to work to and a simple stock system should be enforced.

In contrast to all this, it is wise to be on the look-out for an excess of zeal in regard to forms which may masquerade as administrative tidiness. It may not be necessary to have a form for everything and if one is of definite use, it may not be essential that it should be printed - a duplicated form may do just as well and be considerably cheaper. Nor should it be taken for granted that every piece of paper which finishes its course must be filed. Files exist to retain useful information and essential records; waste-paper-baskets also have their uses. It may be borne in mind, too, that varieties of colour can sometimes confuse rather than contrast. For most purposes, simple white paper is the best; some tints of blue and green, for instance, can be a menace, especially if the shades vary from one printing to another.

Previous articles in this series appeared in the issues of April 23rd and 30th, May 21st and 28th and June 11th.

Weekly Notes

Annual Award Presentations

THE influence of *The Accountant* Annual Awards on the improvement in the standard of company reporting and presentation of accounts in recent years was commended by the Lord Mayor of London this week. He was speaking at the Mansion House on Tuesday when he presented this year's Awards to the winning companies, Vickers Ltd and John Harvey & Sons Ltd.

Referring to the fact that he was a stockbroker, the Lord Mayor said that co-ordinated company statistics were essential for the stockbroking profession to assess market trends which it must do if it was to advise clients wisely. 'The material for these analytical exercises', he went on, 'is contained within the covers of published accounts and it is not merely a polite convention to say that the Awards instituted seven years ago by *The Accountant* have contributed greatly towards raising the standard of presentation of these documents.'

The Lord Mayor's speech, with others at the presentation ceremony, are fully reported elsewhere in this issue.

Birthday Honours

IN our last issue we had pleasure in congratulating members of the profession whose names appeared in the Birthday Honours List. We should now like to congratulate Mr John Alexander Kirkpatrick, Lamont, T.D., M.A., C.A., secretary, James M. Macalaster & Alison Ltd, of Glasgow, who receives the C.B.E. in the Army List in his capacity of acting Colonel, Army Cadet Force, and Mr D. L. V. Rowe, M.C., F.C.A., director of Bird & Co (Private) Ltd, Calcutta, who receives the O.B.E. for services to the United Kingdom community in India.

No Schedule A Relief - Yet

THE Chancellor of the Exchequer on Tuesday evening rejected moves in the House of Commons to exempt owner-occupiers from Schedule A tax. One ground he put forward was that as they had been paying ever since 1803, they could go on paying. He added that in any event relief this year would cost too much. On the other hand he did not regard himself bound by the Royal Commission recommendation that Schedule A tax on the owner-occupier was fair: he would look into the question next year. He felt, however, that if relief was given, there would be a strong case for relief also to those people who paid rent.

The Committee stage of the Finance Bill, which was the occasion for these pronouncements, was concluded this week.

Taxing Employees' Share Options.

THE House of Lords, by a majority of three to two, on Tuesday allowed the appeal of the taxpayer in *Abbott v. Philbin*, according to *The Times* of June 22nd. The appellant, exercising his rights under a share purchase scheme set up by his employer, had in 1954 purchased an option on shares for £20. In March 1956, the price having risen, he exercised the option and thus obtained shares at £166 under the market price.

The Revenue assessed him under Schedule E for 1955-56 on the £166, on the footing that an emolument arose when, and only when, the option was exercised. The House of Lords, restoring the decision of Roxburgh, J., and reversing the Court of Appeal, has upheld the taxpayer's contention that the emolument arose in 1954, notwithstanding that the option (unlike the shares) was not transferable. They disapproved the Scottish decision in *Forbes' Trustees v. C.I.R.* (38 A.T.C. 10). We hope to discuss the decision in a leading article in our next issue.

Estate Duty and Company Control

THE House of Lords on Tuesday also dismissed the taxpayer's appeal in *Barclays Bank Ltd (Ship-side's Executor) v. C.I.R.* The Court of Appeal had held that in deciding, for the purposes of Section 55 of the Finance Act, 1940, whether the deceased controlled a company, votes exercisable by him as the first-named of four trustees of shares were to be counted towards control, notwithstanding that the casting of the votes was subject to agreement with the other three trustees. The Court of Appeal applied the principles laid down in relation to control for profits tax purposes.

Viscount Simonds said the deceased had control within the natural meaning of the words in Section 55 (3) (according to a report in *The Financial Times* on Wednesday). Lord Cohen and Lord Keith concurred. Lord Denning also concurred, but only by virtue of the wording of Section 58 (4), and the fact that the deceased had himself set up the settlement of which he was the first of four trustees. Lord Reid dissented on the ground that Section 55 was concerned only with real control, not apparent control.

Local Authority Finance

FOR his speech to the Annual Conference of The Institute of Municipal Treasurers and Accountants at the Festival Hall, London, on June 16th, the Chancellor of the Exchequer took as his subject the relation of Government control to the plans of local authorities and the provision of Government finance (or, he added, the lack of provision) for these plans. One of the first points which he made was that local government has tended to increase in importance relative to national Government; in the last ten years employment in the former has increased by 50,000

compared with a fall of 175,000 in employment in national Government service.

The Chancellor expected that capital expenditure by local authorities, which last year accounted for two-fifths of total public sector investment, may rise faster than the rest of the public sector mainly on account of increased commitments for education, classified roads, water and sewerage, while a number of smaller programmes held back in the past are also increasing, including police, fire, youth service, swimming baths and playing fields. He warned that the overall rate of growth in investment must be dependent on the trend of the national economy as a whole and discussed at some length the question of how far the Government can influence public investment quickly enough to play a useful part in achieving economic stability. He concluded that the experience gained in the period September 1957 to March 1960 suggested that action of this kind could not alter the aggregate of public sector investment within a period of twelve to eighteen months by more than 2 or 3 per cent, without causing harmful dislocation or defeating its object on account of the inevitable delays in carrying it out. Nevertheless, a small percentage variation of this size could make a significant contribution in relation to the fluctuations of total demand in recent years.

On the provision of local government finance the Chancellor was mainly concerned to refute the suggestion made by the Radcliffe Committee and others that the Public Works Loan Board should be prepared, as was the case between 1953 and October 1955, to lend to all local authorities who apply to it. He suggested that the present method of borrowing and particularly borrowing in the mortgage market attracted a good deal of money which would not otherwise be used for public investment. He stressed that in the years to come the demand for capital is likely to be considerably higher than the available supply. He also felt that the alternative procedure would in effect give local authorities a concealed subsidy. A welcome announcement was that the Government and local authorities had accepted the need, stressed in the Radcliffe report, for improved statistics on local authority debt which would permit more accurate assessment of the size and structure of the debt and of the sources from which additional funds were being obtained.

A report of other sessions at the Conference appeared in last week's issue.

European Monetary Agreements

THE Board of Management of the European Monetary Agreement has issued its first annual report for the year 1959 under the auspices of the Organization for European Economic Co-operation. It considers that the move from the regional transferability of European currencies to world-wide convertibility has been exceedingly successful. It has set off another round of measures to remove restrictions on

trade and payments and has created new conditions for increased co-ordination of national economic and financial policies.

The favourable results achieved by the E.M.A. in its first year include the extension of the liberalization of trade with the dollar area which began under the European Payments Union, relaxation in rules and the administration of capital movements including a larger exchange of capital between countries, increased transactions between international money markets (which is tending to level out differences between interest rates), increased international transactions in equity shares including a closer linking up between European and United States share markets and a large increase in direct investments in foreign countries.

The E.M.A. has established two institutions – a European Fund and a Multilateral Settlement System. The European Fund grants credit in gold to help member countries overcome balance of payments difficulties. Recipients of these grants so far have been Spain, Turkey and Iceland. The granting of credits is subject to agreement being reached with the country concerned on measures needed to restore internal and external equilibrium to its economy. Through the Multilateral Settlement System, each member country undertakes to maintain the market rates for its currency within moderate and stable limits, to give an exchange guarantee to other countries on official holdings of its currency and to carry out multilateral settlements of any balances reported.

E.M.A. has got off to a good start, partly because it is the successor organization to the defunct European Payments Union which did excellent work on the liberalization of European trade and the establishment of a sound clearing system and partly because of the improved economic climate in Western Europe over the last twelve months. The real test of this system will come either when recession overtakes Western Europe or one particular country begins to get out of line owing to its domestic economic policies.

Optimistic Climate in Industry

THE latest inquiry into industrial trends by the Federation of British Industries covers replies from 714 chairmen and managing directors of British companies. Replies received indicate that over the last four months there was a continued rise both in orders received and in output at rates comparable to those reported four months ago. The F.B.I. reports a sustained optimism about the future although it is less strong than it was in February. This is because those who replied in the latest survey expect no appreciable change to take place. As in previous inquiries the rising trend of orders and deliveries is notably stronger for the home market than it is for exports. This is reflected in the latest export returns for May which show that on a seasonally adjusted basis there has been virtually no increase in total exports since the beginning of the year.

The limitations to further increases in output are said to be inability to increase production and not a lack of orders. It is significant that the main factor limiting output is said to be shortage of labour, particularly of skilled labour. Nevertheless, about one-sixth of the companies say they would be limited by their own capacity and about the same proportion say they would be limited by a shortage of bought-in materials and components. It is noticeable that there has been no significant change in hours worked. Increased capital investment will be authorized over the next twelve months and this will take the form of a significant increase in plant and machinery rather than in buildings. Recent wage increases are becoming reflected in rising costs per unit and the reports of

rising costs are more insistent in this survey than they have been in any other since this series began over two years ago. Selling prices are reported to have increased on balance for the first time though these are lagging behind the rise in costs.

The broad conclusion of the survey is that further expansion in the economy can be expected over the next few months though at a lesser rate than over the past year. Beyond that, the future depends mainly on two factors. These are, first, the ability of management and labour to raise output per man-hour and, second, on whether the recent increase in the importation of raw materials for stock-building and of certain consumer goods will come to an end or will be matched by a parallel increase in exports.

This is My Life . . .

by An Industrious Accountant

CHAPTER 30

THE chairman thinks that we have too much money outstanding in sundry debtors' accounts, as witness our swollen overdraft, so he's asked me to watch all special cases as my particular assignment. This just means that my smarter ledger clerks pass on the real headaches to me. Ah well, I'll just have to plan out my schedule of work and delegate something else.

My latest headache was a lady, title strictly by courtesy. My junior ledger clerk came in, acutely embarrassed, and so clearly anxious to forecast my reaction before committing himself to his own opinion that he could hardly submit her request.

She was the owner of a prosperous local firm that has done big business with our wholesale branch for many years, giving us substantial orders and prompt payments, and showing a gratifying readiness to clear old stock off our hands every season. Her price entails tough bargaining, but the volume of her order suits us admirably. When her husband died two months ago, we had gone to special trouble to express sympathy, sending telegrams and a wreath, and a car-load of our staff to the funeral.

Now she entered without ceremony while the clerk was still stammering. She was gaunt in her stark black weeds, with thin lips in a craggy white face, really a striking figure, and after some brief greetings, she made an equally striking request.

Her solicitor was collating information for estate duty purposes, and she was required to furnish certificates of her late husband's liabilities. Those tax people were terribly unjust . . . it was hard for a poor widow to understand . . . her other suppliers had helped her so much, had been so kind . . . she tried to look beseeching and helpless, rather futilely.

She paused – what the Edwardian novelists used to describe as a pregnant pause – and I noticed that my clerk had slipped unobtrusively out of the room. My instincts said 'trouble ahead'; I can forecast it at these discussions almost as accurately as the witch in Macbeth: 'By the pricking of my thumbs, something wicked this way comes.'

So I rushed to reassure her. 'Positively no trouble at all. We have a standard certificate ready for cases like this. The account was well up to date, just £630 outstanding – I'll get the certificate at once.'

My heartiness tailed off into silence as she stared at me bleakly, a peculiar stare. It reminded me suddenly of Rhett Butler's remark when Scarlett O'Hara talked of marriage, that he had seen eyes like hers above a duelling pistol at twenty paces. Then she spoke: 'I would like the certificate made out for £3,630.'

Well, at least, we knew where we were. There could be no question of compromise in such a case, no matter how important or well-connected the customer. And she was far from being pathetically destitute . . . still, tact at all times. So I explained breezily how the Revenue Commissioners expect to be able to rely on the good faith of reputable firms. . . . She broke in sharply. 'Do I get the certificate or not? I'm not interested in the details, but my future business will go to the friends who help me now.'

I rose with an attempt at glacial dignity; if tact had failed, it was time for truth. 'We don't commit perjury here, madam. Your other friends may find themselves in jail yet.'

She said nothing, though her lips tightened and her look was venomous. She went out, paying her bill in full on the way, and letting it be known to all and sundry that her account was closed. The chairman looked at me pathetically when I broke the news to him, but he agreed that we had no option. The question is, how can I deal with such problems in future so as to avoid losing business, and is there any solution other than the obvious one? *Noblesse oblige* comes expensive nowadays.

Finance and Commerce

Home & Colonial

IN accordance with modern accountancy practice, says Mr Malcolm E. Cooper, chairman of the Home & Colonial Stores Ltd, general reserve and reserves for contingencies, previously shown separately, have been merged under one account. The tendency, of course, is to simplify the statement of reserves in balance sheets. Some companies concentrate reserves into the two headings, capital and revenue, revenue reserve including even the unappropriated profits.

This week's reprint is taken from these accounts particularly to show the balance sheet form. The basic principle followed is the single column; the left side of the page opening reducing the view to the main headings, the detail being on the right. The reprint has been able to follow the original to the extent of the light (boxed) and heavy type, but for the comparative figures it has been necessary to substitute italics for the figures given in red. Use of light type for the 'boxed' figures gives considerable aid to the eye in distinguishing the heavier type totals.

Stock Control

In a grocery business of this size – over 3,800 branches at balance sheet date – stock control is of tremendous importance. Mr Cooper says the board's attention is constantly focused on the very large sums more or less permanently locked up in trading stocks and, subject to the requirements of the business, those responsible for the maintenance of stocks, whether in the United Kingdom or overseas, are always mindful of the need to keep the necessary cover down to the very minimum.

This year, the company has completed the reconstruction of the great building once known as the Harringay Arena which was acquired at the end of 1957. The work to be done from this supply depot is indicated in Mr Cooper's statement that 'we have to select orders from over 3,000 lines – our total space will allow for the handling of well over 6,000 tons'.

A transport depot has been built beside the arena. The goods are pre-loaded into hoist bodies and transferred by overhead crane to the vehicles in fifteen minutes, and the supplies go out through the night when, incidentally, road traffic is at a minimum.

'Including estates in Ceylon' under fixed assets is

an indicator to the extensive overseas assets – Lipton is part of the group. The report on overseas interests also deals with developments at the Johannesburg factory, new factories in Nigeria and the Belgian Congo, and interests in India, Pakistan and Europe.

Changed Date

ACCOUNTING date for W. H. Smith & Sons (Holdings) Ltd has been changed and this year's accounts cover a forty-three week period from April 5th, 1959, to January 30th, 1960. The change-over, says Mr John Smith, the chairman, has given a lot of extra work to the chief accountant and his staff and the fact that it has been effected so smoothly, he says, is a great tribute to them. The board are satisfied that the decision to change the date was a sound one.

Mr Smith says the results might have been expected to be slightly better because the forty-three weeks include the best trading period of the year. Lack of improvement is due in part to the printing dispute but also to rising costs.

Although the financial year now ends two months earlier, 'we should, to comply with sound accounting principles', says Mr Smith, 'still include in the amount set aside for future income tax in the consolidated balance sheet the full estimated 1960-61 income tax liability'. But to avoid charging twelve months' tax against ten months' profits, the equivalent of two months' tax has been taken out of reserves.

The entry is seen in notes on the accounts dealing with movements under revenue reserves. There is also taken from reserve this time £35,000 for 'Reserve made as at April 4th, 1959, applied against loss arising on reduction of purchase tax (April 1959 Budget)'.

Modern Costing

MR H. W. WAGNER, chairman of Sturtevant Engineering Co Ltd, continues the subject of the assessment of profits on long-term contracts raised by Mr W. Lionel Fraser, the chairman of Babcock & Wilcox, and noted in this column last week. Mr Fraser thought stockholders would be able to make a more balanced judgment of the position if the directors were permitted to present results once every three years instead of annually.

Mr Wagner says that the company, like many other concerns handling long-term contracts, has never been in a position accurately to estimate profits month by month. It is not an easy thing to do in an engineering business such as theirs but he feels it is absolutely essential for the future.

The directors are therefore instituting a modern costing system which will put them in the position, partly this year and wholly next, 'to estimate with a considerable degree of accuracy our profit position at monthly intervals'. To be able to rely on such a guide, he says, will be of great assistance to the board when determining policy throughout the year.

THE HOME AND COLONIAL STORES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 2nd January, 1960

	1958 £	1959 £
(i) PROFIT ON TRADING	4,033,057	3,693,958
(ii) INTEREST AND DIVIDENDS	8,348	7,961
(iii) U.K. TAXATION estimated to be payable on the profits of the year	2,139,233	2,114,294
	1,902,172	1,587,625
Add:		
(iv) ADJUSTMENT OF TAXATION PROVISIONS, etc., in respect of previous years	141,811	49,834
(v) NET PROFIT OF THE GROUP	2,043,983	1,637,459
Deduct:		
(vi) AMOUNT ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES	37,302	96,643
(vii) GOODWILL OF BUSINESSES PURCHASED WRITE OFF	4,199	54,023
(viii) DIVIDENDS PAID (less Income Tax) to the holders of the Preferential Capital of The Home and Colonial Stores Limited	109,807	104,220
	151,308	254,886
(ix) BALANCE OF PROFIT ATTRIBUTABLE TO THE ORDINARY SHAREHOLDERS OF THE HOME AND COLONIAL STORES LIMITED	£1,892,675	£1,382,573
APPROPRIATION OF ABOVE BALANCE OF PROFIT		
PROFITS RETAINED—		
By Subsidiaries—		
In respect of special appropriations to Reserves towards increased cost of renewal of Fixed Assets and for Development	250,000	—
Other retentions	308,505	214,547
By The Home and Colonial Stores Limited—		
Transferred to General and Contingencies Reserve	500,000	500,000
Added to unappropriated balance	7,154	6,413
	1,065,659	720,960
PROPOSED DIVIDEND, at the rate of 10 per cent. and a bonus at the rate of 2½ per cent. (both less Income Tax) on the Ordinary Shares	827,016	661,613
	£1,892,675	£1,382,573

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

(i) PROFIT ON TRADING	has been arrived at after deducting the following items—	1958 £
Depreciation and amounts written off	1,006,272
Reserves towards increased cost of renewal of Fixed Assets and for Development	193,350
Interest on Unsecured Loan Stock, Debentures and Mortgages	274,657
Emoluments of Directors of The Home and Colonial Stores Limited in respect of their whole-time services, including Pension Contributions £15,574 (£11,461) and excluding £18,448 (Nil) charged against a Provision for Pensions (no fees are payable)	74,557
Allocations to Staff Benevolent and Provident Funds	193,325
Provision for Deferred Repairs	50,000
Stamp duty on increase in Authorised Capital and the issue of Unsecured Loan Stock	—
		£1,792,161
		£1,534,868
(ii) INTEREST AND DIVIDENDS—		
Government Securities, etc.	576
Trade Investments	7,772
		£8,348
		£7,961
(iii) U.K. TAXATION estimated to be payable on the profits of the year—		
Profits Tax	432,330
Income Tax	1,706,903
		£2,139,233
		£2,114,294

NOTES ON CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. No depreciation is provided in respect of Freehold and Long Leasehold Shop Properties.
2. Replacement of Shop Utensils is provided by direct charge to Revenue.
3. The Benevolent Funds have been charged with pensions totalling £1,538 (£600) paid to past executive Directors of The Home and Colonial Stores Limited, or their dependants.
4. The amount provided in 1958 for interest on Unsecured Loan Stock covered the period of five months from 31st July.

SCHEDULES TO CONSOLIDATED BALANCE SHEET
(Figures for the previous year printed in italics)

(i) FIXED ASSETS—	Cost or valuation, £	Depreciation and amounts written off, £	Book value, £
Freeholds including Estates in Ceylon ..	15,781,403	1,020,492	14,760,911
Leaseholds ..	2,434,408	438,728	1,995,680
Fixtures, and fittings, Plant, etc. ..	10,994,575	4,369,982	6,150,178
	<u>£29,210,386</u>	<u>£5,717,938</u>	<u>£23,492,448</u>

(iii) NET CURRENT ASSETS—

Current Assets:			
Stock at cost, or at market value if lower	18,798,482		18,808,609
Debtors, bills receivable and payments in advance, less provision for doubtful debts	3,236,413		3,012,997
Government Securities—quoted (market value £4,131)	4,000		4,078
Other Securities—unquoted, at cost	10,000		10,000
Cash at Bankers and in hand	1,703,336		1,732,981
	<u>23,752,231</u>		<u>23,568,665</u>
Current Liabilities and Provisions:			
Creditors (including overseas taxation) and accrued charges	8,160,154		7,823,626
Staff Benevolent and Provident Funds	905,324		846,988
Provision for possible loss on Overseas commitments	77,000		77,000
Provision for Deferred Repairs	50,000		50,000
Taxation	2,057,041		2,333,018
Bank Overdrafts (£149,960 secured)	3,339,820		3,914,135
Proposed Dividend and bonus (less Income Tax) on the Ordinary Shares of The Home and Colonial Stores Limited	827,016		661,613
	<u>15,416,355</u>		<u>15,656,380</u>
	<u>£8,335,876</u>		<u>£7,912,285</u>

(viii) FUNDS OF THE ORDINARY SHAREHOLDERS OF THE HOME AND COLONIAL STORES LIMITED—

Retained Profits:			
General and Contingencies Reserves	6,958,464		6,239,767
Reserves towards increased cost of renewal of Fixed Assets and for Development	2,636,368		2,193,018
Reserve for equalisation of dividends on 15 per cent Cumulative Ordinary Shares, under Article 143	50,000		50,000
Unappropriated balances—			
The Home and Colonial Stores Limited	380,760		373,606
Subsidiaries	1,215,424		946,976
	<u>£11,241,016</u>		<u>£9,803,367</u>

General and Contingencies Reserves. The increase of £718,697 is accounted for by appropriations from profits £539,064 and net profits realised on sale of properties etc., £179,633.

THE HOME AND COLONIAL STORES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, 2nd JANUARY, 1960

	£	3rd January, 1959
TOTAL NET ASSETS:		
(i) FIXED ASSETS	22,906,769	21,851,275
(ii) TRADE INVESTMENTS—Shares unquoted, at or under cost ..	85,854	66,782
(iii) NET CURRENT ASSETS	8,335,876	7,912,285
	<u>£31,328,499</u>	<u>£29,830,342</u>

CAPITAL EMPLOYED:

(iv) OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARIES ..	216,737	210,373
(v) FUTURE TAXATION—		
Amount set aside for future Income Tax on profits to date	1,683,493	1,614,633
(vi) LOAN CAPITAL—		
Unsecured Loan Stock	3,816,000	3,816,000
Debentures ..	886,306	896,376
Mortgages and Secured Loans	352,849	358,490
	<u>5,055,155</u>	<u>5,070,866</u>
(vii) PREFERENTIAL CAPITAL OF THE HOME AND COLONIAL STORES LIMITED (see below) ..	2,270,864	2,270,864
(viii) FUNDS OF THE ORDINARY SHAREHOLDERS OF THE HOME AND COLONIAL STORES LIMITED—		
Share Capital (see below)	10,801,839	10,801,839
Capital Reserves ..	59,395	58,400
Retained Profits	11,241,016	9,803,367
	<u>22,102,250</u>	<u>20,663,606</u>
	<u>£31,328,499</u>	<u>£29,830,342</u>

NOTES ON CONSOLIDATED BALANCE SHEET

- Accounts for all companies in the Group are made up as at 2nd January, 1960, except those of a Fruit Growing Company which are made up as at 31st August, 1959, the end of the crop year.
- Fixed Assets in foreign currencies amounting to £1,179,326 have been converted into sterling, where appropriate, at the average rates ruling in the year of acquisition. Trade investments and Current Assets, less Liabilities, amounting to £2,001,549 have been converted at the rates of exchange ruling on 2nd January, 1960, and are subject to such exchange restrictions on remittance of funds as may be in force from time to time.
- There are outstanding contracts for capital expenditure amounting to £900,793 (£544,317) for which no provision has been made.
- There are contingent liabilities in respect of discounted Bills and Guarantees amounting to £513,165 (£537,494) and for forward contracts.

NOTES ON BALANCE SHEET

SUMMARY OF AUTHORISED AND ISSUED SHARE CAPITAL

	Authorised, £	2nd January, 1960, Issued, £	3rd January, 1959, Issued, £
6 per cent. Cumulative Preference Shares of £5 each	900,000	900,000	900,000
6 per cent. Cumulative "A" Preference Shares of £1 each	1,000,000	870,864	870,864
15 per cent. Cumulative Preference Shares of £1 each	250,000	250,000	250,000
15 per cent. Cumulative Ordinary Shares of £1 each	250,000	250,000	250,000
	<u>2,400,000</u>	<u>2,270,864</u>	<u>2,270,864</u>
Ordinary Shares of 10s. each	10,801,839	10,801,839	10,801,839
Shares of 10s. each	2,798,161	—	—
Total Preferential Capital	<u>£16,000,000</u>	<u>£13,072,703</u>	<u>£13,072,703</u>

It became evident to the board early last year, he continued, that the old costing system was inadequate to meet present day requirements as it was not integrated with the accounting system. Much vital information was not available.

When the new system is finally working and has proved itself in practice, the next step obviously is to give shareholders the benefit of it by issuing half-yearly or quarterly figures.

Tax

THE accounts presented in 1960 by Thomas Preston Ltd are for nine months to March 31st. The change in the accounting date from June 30th has been made 'in order to relate the income tax liability of the group on each January 1st more closely to the previous accounting year'.

On the basis of an accounting date at June 30th, says the chairman, Mr C. E. M. Hardie, O.B.E., F.C.A., it has hitherto been necessary, not only to provide for

taxation due on the following January 1st, but also, owing to the complicated provisions of the Income Tax Acts, for income tax due on January 1st next following. This, he points out, is liable to involve the earmarking for an extended period of funds which might otherwise be profitably employed in the business itself.

As a result of the change of accounting date, taxation recoverable and taxation reserves no longer required amount to £28,708.

Note 2 on reserve for future taxation explains that the liabilities for current taxation in the balance sheets include estimated profits tax to March 31st, 1960, and the balances of income tax, 1959-60, payable or recoverable. The reserve for future taxation is in respect of estimated income tax on the profits of the year to March 31st, 1960, assessable for 1960-61, on the basis that the present standard rate of tax of 7s 9d in the £ will obtain for that year.

CITY NOTES

A FRESH fall in the gilt-edged market to a new record low point and renewed uncertainties concerning the effects of the present credit squeeze and the prospects of further pressure have turned the stock-markets definitely dull. Holders of industrial equities who 'missed the boat' earlier in the year are now making sure that they do not miss it again and are taking profits.

Although industrial company results continue to be good and although most company chairmen forecast satisfactory current-year results the stock-market is clearly thinking in terms of a recession in trading later in the year. The 1959 position has now been reversed. Then, the stock-market was far more confident than industry. Now it is the other way round.

The May trade figures showing that the trade gap widened despite a slight slowing down in the rate of the rise in imports was hardly calculated to inspire any great degree of forward confidence.

To some minds, however, the greatest economic danger at present is that if the current tendency to look for a recession persists then a recession will indeed develop. There is no doubt now that the credit squeeze is beginning to bite but that has not by any means dispelled the feeling that further measures may be taken.

Externally the biggest danger stems from the undervalued West German mark and the present and potential pressure that may be exerted on sterling as a result. It may be added, however, that stock-market movements have recently exaggerated the extent to which current uncertainties have been translated into selling pressure.

RATES AND PRICES

Closing prices, Wednesday, June 22nd, 1960

Tax Reserve Certificates: interest rate (May 1960) 2½%

Bank Rate

Feb. 7, 1957	5%	June 19, 1958	5%
Sep. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%
May 22, 1958	5½%	Jan. 21, 1960	5%

Treasury Bills

April 14	£4 13s	1·10d%	May 20	£4 11s	1·69d%
April 22	£4 13s	0·88d%	May 27	£4 11s	1·53d%
April 29	£4 13s	0·48d%	June 3	£4 11s	1·39d%
May 6	£4 13s	4·70d%	June 10	£4 12s	1·79d%
May 13	£4 11s	1·56d%	June 17	£4 13s	7·34d%

Money Rates

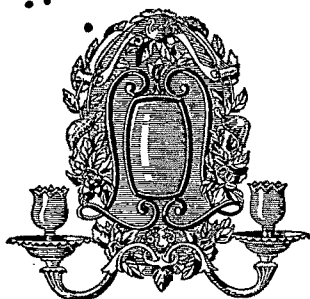
Day to day	3½-4½%	Bank Bills	
7 days	4-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

Foreign Exchanges

New York	2·80½-½	Frankfurt	11·69½-½
Montreal	2·75½-½	Milan	1739½-40½
Amsterdam	10·56½-57½	Oslo	20·01½-½
Brussels	139·79½-80½	Paris	13·74½-½
Copenhagen	19·32½-33½	Zürich	12·09½-½

Gilt-edged

Consols 2½%	44½xd	Funding 4% 60-90	88½
Consols 4%	69	Savings 2½% 64-67	81½
War Loan 3½%	60½	Savings 3% 55-65	90½
Conversion 3½%	60½	Savings 3% 60-70	79½
Conversion 3½% 1969	84½	Savings 3% 65-75	72½
Exchequer 5½% 1966	100½	Treasury 2½%	44½
Funding 3% 66-68	82½	Treasury 3½% 77-80	72½
Funding 3% 59-69	81	Treasury 3½% 79-81	72½
Funding 3½% 99-04	64½xd	Victory 4%	93½



THE ACCOUNTANT

ANNUAL AWARDS

FOR 1960

Presentations by The Lord Mayor of London

The *Accountant* Annual Awards for 1960 for company reports and accounts were presented by the Rt. Hon. The Lord Mayor of London, Alderman Sir Edmund Stockdale, at the Mansion House last Tuesday, in the presence of a large and distinguished company representing the City, the professions, commerce and industry. Accompanying the Lord Mayor were Mr Alderman and Sheriff Hubert L. Pitman, O.B.E., and Mr Sheriff Cyril Derry.

Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, presided and also on the platform were the representatives of the winning companies, Major-General Sir Charles A. L. Dunphie, C.B., C.B.E., D.S.O., Managing Director of Vickers Ltd, and Mr G. E. McWatters, Chairman of John Harvey & Sons Ltd, together with Mr S. J. Pears, F.C.A., President, The Institute of Chartered Accountants in

England and Wales; Mr J. E. Harris, B.COM., F.A.C.C.A., President, The Association of Certified and Corporate Accountants; Mr A. L. A. West, O.B.E., F.I.M.T.A., President, The Institute of Municipal Treasurers and Accountants; Mr W. S. Risk, B.COM., C.A., F.C.W.A., President, The Institute of Cost and Works Accountants; Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges of *The Accountant* Annual Awards, and the following members of the Panel: Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr C. D. Gairdner, C.A.; Mr Donald V. House, F.C.A.; The Rt. Hon. Lord Latham, J.P., F.A.C.C.A.; Mr Ian T. Morrow, C.A., F.C.W.A.; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*.

The names of those who accepted invitations appear on other pages.

The Chairman's Address

Opening the proceedings, Mr Percy F. Hughes said:

'It gives me very great pleasure to preside at this, the seventh occasion of the presentation of *The Accountant* Annual Awards. Once again, there has been a keen interest in this project and we have been fortunate in having as before a panel of judges who have taken a very keen interest in their task, although I realize that it places a severe burden upon them.

'We are also fortunate in having the support of the various professional bodies who are concerned with accounts and I am delighted that it has been possible for Mr S. J. Pears, President of The Institute of Chartered Accountants in England and Wales, Mr J. E. Harris, President of The Association of Certified and Corporate Accountants, Mr A. L. A. West, President of The Institute of Municipal Treasurers and Accountants, and Mr W. S. Risk, President of The Institute of Cost and Works Accountants, to be present with us today.

First Citizen of the First City

'To you, my Lord Mayor, I would express our very warm appreciation and thanks for your kindness, not only in consenting to present *The Accountant* Awards to the distinguished representatives of the two companies concerned, but also for making available to us this morning this very beautiful room. The City of London is the hub of the commercial life of this country and it is surely very fitting that the First Citizen of the First City in the world should present these awards, of which we of *The Accountant* are very proud.

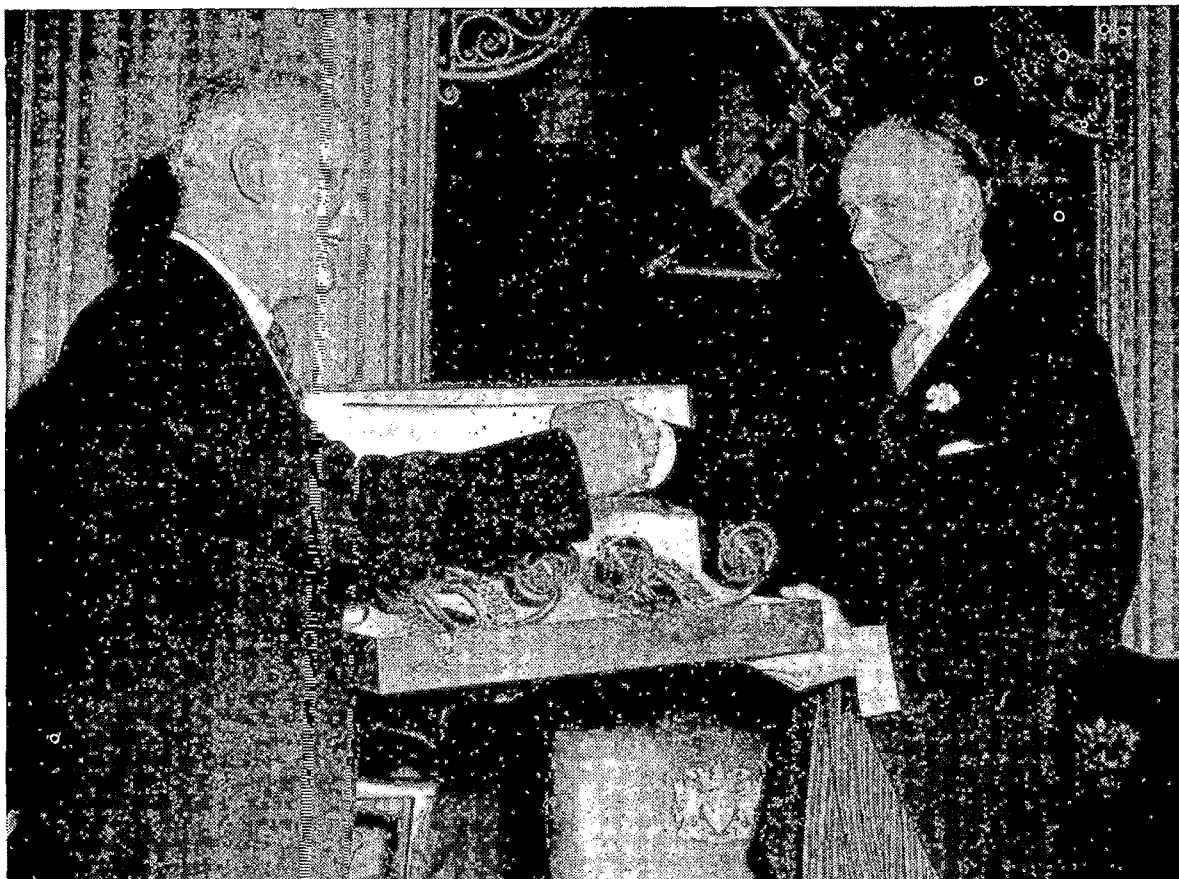
Importance of Well-prepared Accounts

'My Lord Mayor, you are a stockbroker by profession and are, therefore, very well aware of the importance of accounts to the investing public, although in all too many cases they are not themselves able to appreciate them fully. This makes it all the more important that those to whom falls the task of preparing accounts should produce those accounts in the best possible form to enable shareholders better to appreciate the message they have to convey.

'I understand that Parliament is shortly to discuss means of encouraging industrial share ownership by members of the community whose savings are comparatively small. Consideration will be given to the removal of obstacles which at present deter the small saver from investing in industrial securities, such as stamp duty on share transfers. It will also be important to facilitate the procedure for acquiring very small blocks of shares and perhaps also to deal with the tax position in respect of dividends if the small investor is to be encouraged in this way. It may be a long time before these steps are taken in practice, but it will be all the more important for accounts easily to be understood by all who are interested in the company to which they relate.

Panel of Judges

'Mr J. B. Lindon, Q.C., retired as Chairman of the Panel and we were very fortunate in obtaining as his successor Mr K. W. Mackinnon, Q.C., who is a member of the Company Law Amendment Committee which was set up some months ago by the President



Major-General Sir Charles Dunphie, C.B., C.B.E., D.S.O., managing director of Vickers Ltd (left), receives his company's Award from the Lord Mayor.

of the Board of Trade. Mr Bertram Nelson, Mr C. I. R. Hutton and Mr G. Godfrey Phillips also retired as members of the Panel after giving some years of service in that capacity, and I do thank them very sincerely for all that they did to ensure the success of this work.

'Mr A. S. H. Dicker, Mr Donald V. House, Lord Latham and Mr Arthur Webb have continued to serve the Panel this year and they were joined by Mr C. D. Gairdner, Mr A. W. Giles, Mr Ian T. Morrow and Sir Richard Yeabsley, who have had their first experi-

ence of our activities in this field. All have said how much they have enjoyed their work under Mr Mackinnon, but he will have an opportunity later of saying something about them if he wishes and they will have no right of reply.

'My Lord Mayor, I now invite you to address us and then to present the Awards to Sir Charles Dunphie, managing director of Vickers Limited, deputizing for Viscount Knollys who is abroad, and Mr G. E. McWatters, chairman of John Harvey & Sons Limited.' (Applause.)

The Lord Mayor of London

In presenting the Awards the Lord Mayor said:

'I should like, Mr Chairman, to thank you for your kind references to myself. I look upon it both as an honour and a pleasure to be here today to present these shining awards.

'The stockbroking profession, like the accountancy profession, is constantly developing as most of you know and, today, the study of co-ordinated company statistics is an essential activity of members of the Stock Exchange if they are to assess market trends perceptively in order to give their clients the best possible advice. The material for these analytical exercises is contained within the covers of published accounts and it is not merely a polite convention to say that the Awards in-

stituted seven years ago by *The Accountant* have contributed greatly towards raising the standard of presentation of these documents.

'I say "greatly" because influence is even more difficult to evaluate than "goodwill" but the influence, in the case of *The Accountant* Awards, is clearly there because no less than a thousand companies entered for the contest.

'I am particularly pleased that Vickers have won an Award, as I have several friends on the board; but I hope that that remark will not be construed as an indication that there has been any nepotism abroad. No doubt, after launching another superb plane, the chairman repairs to the boardroom for a glass of

excellent John Harvey sherry. I do congratulate the joint winner, too, on a fine performance.

'How different are the accounts that I have seen to some that I can think of. I always remember the remark of a husband to his wife on returning home: "I took an aptitude test this afternoon - thank goodness I own the company!" (Laughter.)

'They say that "Twice as many people are engaged in clerical work now as in 1940." We may be more mixed up than ever, but we're getting it all down on paper. (Laughter.)

'I now have great pleasure in presenting the Awards to the winners.' (Applause.)

Acknowledgements of the Presentations

Acknowledging the presentation made to his company, Major-General Sir Charles A. L. Dunphie, C.B., C.B.E., D.S.O., managing director of Vickers Ltd, said:

'I should like first of all to say how delighted we are and how proud we are that Vickers have been chosen to be the recipient of one of these two Awards given by *The Accountant* this year. We are very conscious of the wide and increasing interest which this competition arouses throughout the whole of the business community of this country. It is always nice to satisfy the examiners in an examination or a competition; it is sometimes also a surprise. To us it is a great honour to have won the recognition of such a distinguished panel of judges as is engaged in this competition.

"To the layman there is something rather alarming about figures. It may be that this stems from the fact that our first meeting with figures is often in connection

with our bank statement. To be quite truthful, people of my age frequently find it drawn up in copperplate writing which is easy to read. I feel that the more friendly the appearance of accounts the easier it is to read them and I do believe that this competition is giving an added incentive to those who are concerned in presenting the results of a company in a way that is truly informative, readily understandable and, if I may use the word, decorative, because I believe that accounts can be decorative without losing their respectability.

'Accounts must be informative obviously because that is what written accounts should be. They should be readily understandable because information is of no use unless it is understandable not only to the expert but to everyone who receives it. They should also be decorative because I think that a published report and accounts are often one of the media which promotes public relations and indeed personal relations with a



The Lord Mayor presents the Award for John Harvey & Sons Ltd to Mr G. E. McWatters, chairman of the company, watched by Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*.



Mr K. W. Mackinnon, M.B.E. T.D., Q.C., Chairman of the Panel of Judges (*second from left*) with Mr Donald V. House, F.C.A., a member of the Panel Lady Dunphie; Sir Charles Dunphie, C.B., C.B.E, D.S.O., and Sir Richard Yeabsley, C.B.E., F.C.A., a member of the Panel.

company and with the activities of that company.

'In my own group we have an equal number of stockholders and employees. The chairman has spoken of the importance of the small investor and we make a practice of sending to each of the employees a comparatively simplified form of the information which appears in the annual accounts.

'The credit which must be given within my own group for the winning of this award must go to Sir Leslie Rowan, our director of finance, to Mr Robbie and Mr Spriggs and their staffs, helped, as always, by their professional advisers.

'I am very sorry that Lord Knollys, the chairman of the group, is not here today - and he is sorry too - because he had an immense influence on both the substance and the presentation of the accounts and I know that he would have liked to thank you in person, my Lord Mayor, for this very handsome Award. I thank you for the honour you have done us in presenting us with this Award.' (*Applause.*)

Mr G. E. McWatters, chairman of John Harvey & Sons Ltd, said:

'I thank you, my Lord Mayor, very much for what you have said. It is indeed a great honour to receive this Award here. Speaking on behalf of my company, I would say that we have always been keen on winning this Award but this is the first time that we have entered into this competition because we have only recently become a public company. We had a most interesting history before that. Three years ago, when I assumed my present position, we had the task ahead of us of turning a family business into a public company and I had to explain to the family exactly how the business was being reorganised and run. At that stage

I received a great inspiration from Mr Ernest Marples, who was a friend of mine, to try to win this Award. We believe that accounts should be presented in this form and that if the facts are allowed to speak for themselves any arguments or criticisms which there might be would be completely demolished.

'We believe that the report and accounts are one of the major things in a company's year. I endorse what the chairman has said about the method of presentation of accounts. We believe that they should be readable, particularly in the case of a family business when we have to explain to uncles and aunts what has been happening. If you put the facts and figures in this way, people can understand what is happening to the business. The facts speak for themselves and I am sure that that is the correct way in which a business should be run.

'I should like to pay a tribute to the members of my company who have worked on these accounts, Mr Chambers, the company's accountant, Mr Mostyn, the company's secretary, and my brother, who in the early stages took with myself the advice of Mr Marples, and worked on these lines, in the presentation of our accounts. My Lord Mayor, I thank you very much indeed for making this presentation to us. These sconces will have a place of honour in our boardroom at Bristol. Thank you.' (*Applause.*)

The Chairman of the Panel of Judges

Addressing the company, Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges, said:

'I have the honour to follow as chairman of the Panel two distinguished predecessors; the late Mr Montagu Gedge for the first five years and last year Mr J. B.

London and it is appropriate to acknowledge the great services they have rendered.

"This is the seventh year of the Awards. Since their inception they have steadily grown in importance as can be gauged by the increase in the number of the entries from some 450 in 1954 to a thousand for the present

provided in these respects and particularly to increasing the information made available to the public on the nature and progress of the business concerned. In this age of democratic capitalism this last consideration is, in my opinion, one of pressing emphasis not only for extending the scope of ownership to an increasing num-



Left to right: Mr J. E. Harris, B.COM., F.A.C.C.A., President, The Association of Certified and Corporate Accountants, Mr A. L. A. West, O.B.E., F.I.M.T.A., President, The Institute of Municipal Treasurers and Accountants, and Mr G. E. McWatters, Chairman, John Harvey & Sons Ltd.

year. Of course these entries are screened so as to reduce the number from which the Panel makes its selection. Even then the entries that come before it are numerous and this year were of a high quality. Thus the work on the part of my colleagues on the Panel has been considerable and I should like respectfully to pay tribute to the acumen and industry which they applied to their task.

'Nor is this work limited to the selection of the winners. The Panel has from time to time to consider various suggestions in connection with the Awards. For example, it was proposed that we should publicize the factors which are taken into account in making the Awards. The Panel did not consider this to be a wise step. Particularly it was felt that such a course might tend to have a restrictive effect on the introduction of new ideas and of new methods in presentation which the Panel welcomes.

'One of the great values of the Awards since their inception has undoubtedly been the stimulus they have

ber of smaller shareholders but also for maintaining good relations with those employed in a business and with the customers.

'Many people tend to over emphasize the importance of legislation and to rely too much upon it. They are in danger of ignoring the changes that can be produced by the voluntary pursuit of higher standards. In encouraging companies in the latter course in the field of accounts the Awards have made and will I feel confident continue to make a valuable and ever increasing contribution.' (*Applause.*)

Welcome to the Guests

In greeting the many distinguished guests, Mr Arthur E. Webb, the Editor of *The Accountant*, said that the ceremony at which the Awards were presented each year was now regarded as an annual event in the calendar of City occasions. Mr Webb extended a special welcome to those present from overseas, including Sir Alexander and Lady Fitzgerald from Melbourne.

Guests at the Presentation Ceremony

Those who accepted invitations were:

MR WILFRID G. ADAMS, F.C.A., and MRS ADAMS

MR S. W. ALEXANDER, *Editor, City Press*, and MRS ALEXANDER

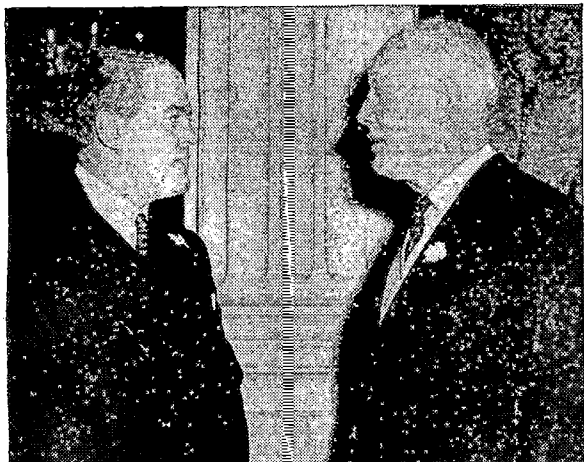
MR W. M. ALLEN, B.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*, and MRS ALLEN

MR G. F. ANSELL, F.C.A., and MRS ANSELL

MR G. R. APPLEYARD, F.C.A., *Chairman, London and District Society of Chartered Accountants*, and MRS APPLEYARD

MR P. LIVINGSTONE ARMSTRONG, F.C.A.

MR W. ARMSTRONG, C.B., *Under-Secretary, Home Division, H.M. Treasury*



Mr G. E. McWatters, of John Harvey & Sons (left) with Sir Charles Dumphrie, of Vickers.



Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, greets Sir Thomas Robson, M.B.E., M.A., F.C.A.

MR H. GARTON ASH, O.B.E., I.C., F.C.A.

MR ALGERNON ASPREY, and MRS ASPREY

MR S. E. BANKS, and MRS BANKS

MR PAUL BAREAU, *City Editor, News Chronicle*

MR A. A. BARGER, F.C.A., and MRS BARGER

PROFESSOR W. T. BAXTER, B.COM., C.A., and MRS BAXTER

MR T. A. HAMILTON BAYNES, M.A., F.C.A., and MRS HAMILTON BAYNES

MR R. T. BELL, an Assistant Secretary, *The Association of Certified and Corporate Accountants*

SIR HAROLD BELLMAN, D.L., LL.D., J.P., *Chairman, Abbey National Building Society*

MR D. B. E. BELSON, *Director, John Harvey & Sons Limited*, and MRS BELSON

MR H. A. BENSON, C.B.E., F.C.A., and MRS BENSON

MR STANLEY J. D. BERGER, O.B.E., M.C., F.C.I.S., and MRS BERGER

MR C. V. BEST, F.C.A., and MRS BEST

MR ROLAND BIRD, *Deputy Editor, The Economist*, and MRS BIRD

MR T. BOLTON, A.C.I.S.

MR F. BOOTH, C.A., *Chairman, The Association of Scottish Chartered Accountants in London*, and MRS BOOTH

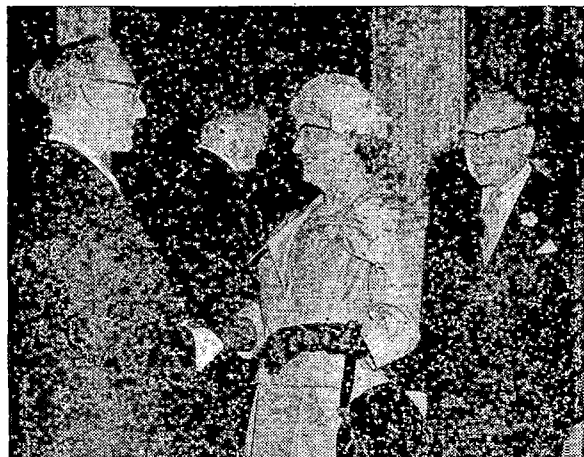
MR ROY BORNEMAN, Q.C., and MRS BORNEMAN

MR CHRISTOPHER BOSTOCK, M.A., F.C.A., and MRS BOSTOCK



A guest from Australia, Sir Alexander Fitzgerald, K.B., O.B.E., F.C.A.(AUST.) (left) with Mrs C. V. Best and Sir Richard Yeabsley, C.B.E., F.C.A., and in the background, left to right) Mr Hughes, Mr J. D. Russell, M.A., F.C.A., and Mr C. V. Best F.C.A.

MR R. M. BUIK, F.C.A. (AUST.), and MRS BUIK
 MISS V. M. BURTON, F.C.A.
 MR R. A. W. CAINE, F.C.A.
 SIR WILLIAM CARRINGTON, F.C.A., and LADY CARRINGTON
 MR R. J. CARTER, B.COM., F.C.A., *Secretary, The Chartered Accountant Students' Society of London*, and MRS CARTER
 MR T. E. CARTER, A.I.M.T.A., A.C.W.A., A.C.I.S., *an Assistant Secretary, The Institute of Municipal Treasurers and Accountants*, and MRS CARTER
 MR COLIN S. W. CASSIE, *Gee & Co (Publishers) Limited*
 MR L. W. CHAMBERS, F.C.A., *Chief Accountant, John Harvey & Sons Limited*, and MRS CHAMBERS
 MRS PETER CHAPMAN
 MR F. W. CHARLES, C.B.E., F.C.A., and MRS CHARLES
 COLONEL RANDOLPH A. CHELL, D.S.O., O.B.E., M.C., and MRS CHELL
 MR A. F. CHICK, F.C.A., and MRS CHICK
 MR BRIAN O. CHILVER, A.C.A., and MRS CHILVER
 MR DOUGLAS A. CLARKE, LL.B., F.C.A., and MRS CLARKE
 MR JOHN COBB, *Deputy Editor, Investors' Chronicle*
 MR J. W. G. COCKE, T.D., M.A., F.C.A., *Secretary, London and District Society of Chartered Accountants*, and MRS COCKE
 MR R. F. COLLIN-SMITH
 DR F. CUTHBERT COLLINGWOOD, M.B., CH.B., M.R.C.S., L.R.C.P., D.T.H. and H., and DR SYLVIA COLLINGWOOD, M.B., CH.B.
 SIR EDMUND COMPTON, K.B.E., C.B., M.A., *Treasury Officer of Accounts*, and LADY COMPTON
 MR H. SIMPSON COOK, F.C.I.S., and MRS SIMPSON COOK
 MR ROBERT COOKE, M.A., M.P.
 MR A. L. COOPER, *Secretary, Vickers Limited*, and MRS COOPER
 MR J. M. COOPER, A.A.C.C.A., A.C.I.S.
 MR S. V. P. CORNWELL, M.C., M.A., F.C.A., and MRS CORNWELL
 MR F. G. COX, *Vice-Chairman, John Harvey & Sons Limited*, and MRS COX
 SIR CECIL CRABBE, *Chief Registrar of Friendly Societies*, and LADY CRABBE
 MR RONALD G. GREECY, A.S.A.A., C.A. (S.A.)
 MR GORDON CUMMINGS, F.C.A.
 MRS M. CUNNINGHAM
 MR W. MANNING DACEY, *Economic Adviser, Lloyds Bank Limited*, and MRS MANNING DACEY
 MR C. R. M. DAVIDSON, F.A.C.C.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and MRS DAVIDSON



Sir Halford Reddish, F.C.A., and Lady Reddish are received by the Editor of *The Accountant*, Mr Arthur E. Webb.

MR J. O. DAVIES, F.C.A., A.C.W.A., *European Regional Director, The Institute of Internal Auditors*, and MRS DAVIES
 MR B. J. DAVIS, F.C.A., and MRS DAVIS
 MR W. GUY DENSEM, F.C.A., and MRS DENSEM
 MR SHERIFF CYRIL DERRY, and MRS DERRY
 MR R. DEVEY, *Manager, Moorgate Branch, Midland Bank Limited*, and MRS DEVEY
 MR A. S. H. DICKER, M.B.E., F.C.A., and MRS DICKER
 MR D. B. E. DOUGLAS-WITHERS, and MRS DOUGLAS-WITHERS
 MR DEREK DU PRÉ, *Secretary, The Institute of Cost and Works Accountants*, and MRS DU PRÉ
 MAJOR-GENERAL SIR CHARLES A. L. DUNPHIE, C.B., C.B.E., D.S.O., *Managing Director, Vickers Limited*, and LADY DUNPHIE
 MR H. EASON, *Secretary, The Institute of Bankers*
 MR K. B. EDWARDS
 MISS ELIZABETH ELLETT, *Public Relations Officer, British Institute of Management*
 MR FREDERICK ELLIS, *City Editor, Daily Express*
 MR EDWARD EMMERSON, F.C.A., F.C.W.A., and MRS EMMERSON
 MR R. A. EMMOTT, B.Sc. (ECON.), A.I.M.T.A., *an Assistant Secretary, The Institute of Municipal Treasurers and Accountants*, and MRS EMMOTT
 MR L. J. EZRA, F.C.A., and MRS EZRA
 COMMANDER H. W. FAWCETT, O.B.E., R.N., and MRS FAWCETT
 MR E. G. FIELDING, *Publicity Manager, Vickers Limited*, and MRS FIELDING
 MR W. J. FINDLAY, C.A., and MRS FINDLAY
 SIR ALEXANDER FITZGERALD, K.B., O.B.E., F.C.A. (AUST.), and LADY FITZGERALD
 MISS MARGARET FOX, F.C.A., *Chairman, Women Chartered Accountants' Dining Society*
 MR R. E. FRYER
 MR SYDNEY GAMPELL, *Financial Editor, Reuters Limited*
 MR C. D. GAIRDNER, C.A., and MRS GAIRDNER
 MR C. G. GARRATT-HOLDEN, T.D., B.A., M.COM., *Secretary, The Building Societies Association*, and MRS GARRATT-HOLDEN
 MISS K. D. GEE, *Director, Gee & Co (Publishers) Limited*
 MR R. J. GEE, LL.B., M.I.T.M.A.
 MR PETER GEE-HEATON, *Director, Gee & Co (Publishers) Limited*, and MRS GEE-HEATON
 MR A. W. GILES, M.B.E., M.A., C.A., and MRS GILES
 MR D. J. GINNINGS, F.C.A., and MRS GINNINGS
 MR JOHN GODFREY, M.A., F.C.A.
 MR RONALD GOLDSMITH, *Director, George Anson & Co Limited*, and MRS GOLDSMITH
 BRIGADIER R. F. S. GOOCH, D.S.O., M.C., M.A., *Private Secretary to the Lord Mayor*
 MR JOHN GOUGH, *Secretary, Federation of British Industries*, and MRS GOUGH
 MR J. D. GREEN, F.C.A., and MRS GREEN
 MISS D. E. GREENWOOD
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Secretaries meet: Left to right: Mr Derek du Pré, of The Institute of Cost and Works Accountants; Mr F. Cameron Osbourn, M.B.E., B.A., LL.B., of The Association of Certified and Corporate Accountants; Mr Alan S. MacIver, C.B.E., M.C., B.A., of The Institute of Chartered Accountants in England and Wales.

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MISS E. F. PLATT, LL.B.



MR A. S. H. DICKER, M.B.E., F.C.A., a member of the Panel of Judges, and Mrs Dicker, are greeted by the Editor.

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Self-administered Pension Funds

SIR, - With some reluctance I feel I must say something on Mr Isaac's comments which followed my previous letter in your issue of June 11th - with reluctance because detail concerning the basis of illustrative calculations is of much less importance than the uncertainties of the future.

Specifically:

- (a) Mr Isaac has used mortality rates appropriate to annuities entered upon in 1955 but he is concerned with annuities which will be entered upon in the year 2000. Some allowance for increased longevity in keeping with that experienced in the fairly recent past should, as a matter of prudence, be made - Mr Isaac has not really made proper use of the mortality tables to which he refers;
- (b) the yield on money invested today is not the only factor - of greater importance are the terms on which the contribution and investment income can be invested next year, the year after and so on;
- (c) even if, for the sake of making a calculation, the assumption of a 300 per cent increase in capital values over the next forty years is conceded, it is difficult to concede also an investment income each year of 5 per cent of the increased capital value in the year. The yield on a high-class equity investment made now may be as low as $2\frac{1}{2}$ per cent - the possibility of appreciation is to some extent acquired at the expense of the yield.

Finally, what impressed me about Mr Isaac's arithmetic was his assiduity rather than his answer.

Yours faithfully,

Beckenham, Kent.

E. INNES.

[Mr B. E. Isaac writes: I appreciate and concur with Mr Innes's reluctance to put pen to paper once more

but his perseverance deserves an acknowledgement and requires clarification. Specifically:

- (a) Mr Innes appears to have misunderstood my reference to the mortality tables which is perhaps understandable for anyone not well acquainted with current mortality rates and future expectations. The tables I used were, of course, for a person aged 25 entering into an annuity policy under which payments would commence at 65. Current mortality rates obtained from the Registrar-General's Statistical Review disclose that of 994 males aged 25, only 655 will survive to 65 years, 356 to 75 years, 77 to 85 years, and 2 to 95 years, as against the figures of 788, 538, 193 and 16 respectively, used in my calculations.
- (b) Mr Innes has not committed himself to any opinions as to whether the yields may be more or less than 5 per cent but obviously future yields are of greater importance. I cannot do more than refer him again to that part of my article dealing with future trends and to the comments in my last letter.
- (c) The yields on equities over the last thirty-five years average slightly under 6 per cent and this after taking into account the capital appreciation which averaged 450 per cent. It is true that certain high-class equities show a present yield of $2\frac{1}{2}$ per cent but their record of growth over the past forty years has been very much greater than 450 per cent and this would far outweigh any reductions in income.

Finally, I would thank Mr Innes for his apparent and sincere interest in my article which has undoubtedly served to clarify and underline many of the points that I put forward. I trust that it has also been of interest to other readers.]

Multi-copy Cheque Sets

SIR, - With reference to the letter from 'Querist' in the edition of *The Accountant* of May 21st, I enclose a sample set of a multi-copy cheque.

We find in practice that these multi-copy sets work quite well, particularly where there is a great volume of cheques. In such an instance one copy takes the place of the entry in the cash-book; the cheques issued for a day or a week being entered in total. A refinement of this system is that an additional copy is kept for the purposes of preparing a bank reconciliation. This copy is matched with the returned cheques and a file maintained of those copies of the cheques that are still outstanding. This, in effect, reduces the

labour particularly where there is a large volume of outstanding cheques.

Yours very truly,
ROBT. N. A. KIDD.

Montreal, Canada.

[The sample set kindly sent by this correspondent has been forwarded to 'Querist' and we are advised that further samples may be obtained from Moore Business Forms Ltd, Toronto. - Editor.]

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.

Jeffrey v. Rolls-Royce Ltd

In the High Court of Justice (Chancery Division)
May 27th, 1960

(Before Mr Justice Pennycuik)

Income tax - Trade - Sales of know-how - Whether receipts taxable.

The respondent carried on the trade of manufacturing and selling motor-cars and the manufacture and sale of aircraft engines. For the purposes of the trade the company conducted metallurgical research and discovered and developed engineering techniques and secret processes and, generally, accumulated a fund of technical knowledge, or know-how, only a small part of which was capable of being patented. Until after 1945 the company turned this know-how to account only in carrying on its own trade; but from 1946 to 1953 the company made a number of agreements with foreign Governments and businesses, whereby in consideration of a lump-sum payment the company undertook to supply the other party with drawings and information to enable it to manufacture some types of the company's aircraft engines. It was also a part of the contracts that the respondent would advise the other party from time to time of improvements and modifications in the manufacture and design of the engine in question, as and when the British Government permitted the respondent to do so. The agreement bound the other party to keep the drawings and the information secret; and the respondent would receive personnel of the other party into its works or buildings with a view to instructing them in the construction of the engines.

It was contended on behalf of the respondent that its trade was that of manufacturing motor-cars and aircraft engines, and that the sale of know-how was not a part of its trade; that the research leading to the acquisition of the know-how had not been for the purpose of earning profits by selling or licensing know-how, but for the more efficient production of motor-cars and aero engines; and that the lump-sum payments received under the agreements could not be included in the computation of the respondent's profits for tax purposes. It was contended on behalf of the appellant that these sums were receipts of a

revenue nature of the respondent's trade and should be included in computing the profits thereof. The Special Commissioners accepted the respondent's contentions and allowed the appeal.

Held: The Special Commissioners' decision was correct.

Bradshaw v. Blunden

In the High Court of Justice (Chancery Division)
May 24th, 1960

(Before Mr Justice Pennycuik)

Income tax - Builder and Contractor - Transfer of business to company - Permanent discontinuance - Finance Act, 1926, Section 31, Finance Act, 1938, Section 26.

The appellant, a builder, transferred his business to a company on December 10th, 1945, and it was held that his trade was permanently discontinued on that day. The order of the Court was that the stated case should be remitted to the General Commissioners for them to adjust the assessment in accordance with the judgment of the Court.

At a further hearing before the General Commissioners the respondent raised two contentions in reference to 1945-46. The first contention was that as the appellant's trade had been held to have been discontinued on December 10th, 1945, the assessment for 1945-46 had to be, pursuant to Section 31 of the Finance Act, 1926, in the amount of the actual profit of the period from April 6th, 1945, to December 10th, 1945. The Inspector's second contention was that, in accordance with Section 26 of the Finance Act, 1938, the trading stock should be valued according to its open market value at December 10th, 1945; and that further evidence of the value of the trading stock should be admitted by the General Commissioners. The General Commissioners accepted all three of these contentions. In the appeal to the High Court the appellant further contended that he was entitled to withdraw the entire appeal relating to 1945-46.

Held: (1) as the Court's decision on the appeal for 1945-46 had been decided, the appellant was not entitled to withdraw the appeal; (2) the assessment for 1945-46 should be based upon the actual profit for the period from April 6th, 1945, to December 10th, 1945; (3) the trading stock at the date of the discontinuance should be valued according to its open market value at the date of the discontinuance; (4) as the market value of the trading stock on December 10th, 1945, was relevant to the issue before the General Commissioners at the first appeal, and either party could have led evidence thereon, the General Commissioners could not now admit further evidence.

I.M.T.A. 75th ANNIVERSARY CONFERENCE

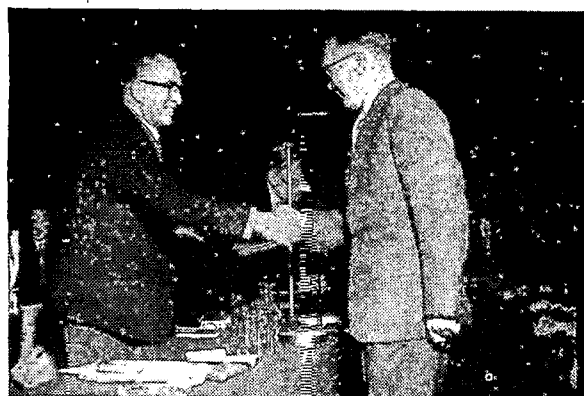


Some of the official guests at the opening of the 75th Anniversary Conference of The Institute of Municipal Treasurers and Accountants at the Royal Festival Hall, London, last week. *Left:* Mr S. J. Pears, F.C.A., President of The Institute of Chartered Accountants in England and Wales extends fraternal greetings.

Lord Morrison of Lambeth addressing the Conference on Wednesday.



The President and Mrs Esslemont (*left*) and the President-elect and Mrs West (*right*) receiving guests at the Banquet in Guildhall on Tuesday of last week. (Mr West was installed as President during the Conference proceedings later in the week.)



Mr C. C. Jasper, who gained First Place and prizes in the 1959 Final Examinations, receiving his awards from the President.

Gee & Co's bookstand at the Conference in the Royal Festival Hall.

Electronics in the Office

I.C.T. '1301' Computer

A USEFUL and attractively produced brochure relating to the new I.C.T. '1301' Computer, referred to under 'Electronics in the office' in our issue of May 28th, is now available from International Computers & Tabulators Ltd. The booklet comprises (a) a layman's guide to the computer for the non-technical business executive; (b) a semi-technical description of the computer's principal units and features, and the services which are available to those interested in its use; (c) a complete detailed specification and order code, for the technical reader.

I.C.T., whose orders and deliveries of existing equipment to date total 190 computers and over 1,000 electronic multipliers and calculators, claim in the '1301' to have an E.D.P. system capable of handling all requirements of business management.

E.D.P. in Local Government

NOT least among the users and prospective users of electronic computers are the larger local authorities. International Computers and Tabulators Ltd report that to date some ten authorities, four county councils and six county borough councils, have either already installed or ordered I.C.T. general purpose computers.

Local authorities were among the first to mechanize their accounting systems when punched-card machines became available and they have shown an equal readiness to exploit the new electronic accounting machines which have come on the market in the last ten years.

The treasurers of Cardiff, Kingston upon Hull, Southend-on-Sea and Manchester recently gave their reasons for ordering computers and some details of the type of work they expected to do with them. All stressed the enlarged scope and responsibility of their respective authorities. Mr C. H. Pollard, C.B.E., F.I.M.T.A., F.S.A.A., City Treasurer of Hull, stated: 'Our annual expenditure is now close on £20 million - in 1934 it was £5 million: we administer 24,000 corporation houses, flats and shops; our transport department in a year carries seventy-eight million passengers and its buses and trolley buses travel nearly seven million miles.'

The many services required by Cardiff's county borough status involve an approximate gross annual expenditure of £12 million on revenue and £4 million on capital account. The council of Southend-on-Sea estimates its expenditure for 1959-60 at £8½ million.

What sort of jobs are planned for the computers? The reports of the various treasurers point to the difference of local government authorities and those of normal commercial concerns, namely that in local government the computer is required to cover a variety of jobs rather than cope with one large job.

Cardiff's programme, for example, includes payroll for 10,000 weekly and salaried staff; stores accounts for over 30,000 categories of material; rate accounts for 76,000 ratepayers together with debtors' records,

arrears notices and reminders. Hull, too, envisages payroll, rate demands, and water billing. Southend has a similar list of requirements.

Manchester Corporation has a special task for its computer. It is to be used for the complicated payroll of its transport department, because as Mr H. R. Page, A.I.M.T.A., the City Treasurer, points out, 'To give the service required of a passenger transport organization twenty-four hours a day, 365 days a year, with reasonable working conditions for the staff, necessarily implies complex working schedules and a complicated wages agreement.'

All, however, stress their intention to use computers for much closer control of the authority's income and expenditure, with the ultimate object of achieving overall budgetary control.

Computer for London County Council

THE London County Council is to pay about £60,000 a year for hiring an I.B.M. 650 electronic data-processing system with ancillary equipment. Already £30,000 has been spent on the cost of installing the machine, but by 1965 the installation will not only have paid for itself, but will be showing a net annual saving of £30,000.

The installation is known as ERIC. This is intended to represent Electronic Recording and Integrating Computer, but already it has been given the alternative of Electronic Replacement for Innumerable Clerks, though staff savings will occur in grades where clerks and machine operators are in short supply.

Progressive economies will reach a climax in the fifth year with savings of 100-120 staff, and at least 8,000 square feet of office space, on the payroll, superannuation and costing work alone. Already the computer handles monthly salaries for 10,000 staff, 18,000 full-time teachers, 16,000 part-time teachers and pensions for 12,000. Soon it will do a weekly payroll for a further 48,000, as well as superannuation, costing and stores accounting.

The initial salaries and pensions job is claimed to be the largest payroll taken on in one step at the start of any computer installation and the first to make use of magnetic tape. Preparatory work was undertaken with the Council's own resources, with training and consultancy services by the suppliers. O. and M., programming and managerial staff were all recruited from the L.C.C.'s own staff.

After integrating local and central accounting requirements, the Council see applications involving the manipulation of masses of figures for statistical analyses and operational research problems such as traffic flow study. Later there will be scope for such work as calculation of repayments for housing loans and the analysis of medical and dental statistics of school children.

The installation, which had its genesis in 1956 when a working party was set up, is organized as a central agency to serve all of the sixteen L.C.C. departments. In time, County Hall may provide data-processing facilities for other local authorities.

Computers in Purchasing and Stores Departments

A BOOKLET containing a selection of the papers presented at a recent Purchasing Officers Association course designed to study the practical experience already gained in making use of computers for purchasing and stores purposes and to consider future developments, was published by the association recently.

The sixty-page booklet includes nine papers and the discussions on them, including investigations into the possible range of usefulness of computers, selection of a suitable make and preliminary planning, the hopes, disappointments, and achievements of well-known companies who are actually using computers for purchasing, stores and other operations.

Potential users of computers should find this book valuable because it describes in detail mistakes in planning, and unforeseen difficulties as well as amendments to procedures, staff and training requirements, cost of running and a statement of results to date.

Among the papers presented at the association's course and included in the booklet are: 'Choosing and installing a computer', by Mr A. J. Platt, F.C.A., manager, computer investigation department, Pilkington Brothers Ltd; and 'Controlling refinery stores', by Mr K. C. Phillips, A.S.A.A., A.I.M.T.A., data-processing assistant, Esso Petroleum Co Ltd.

Copies of the booklet are available from the Pur-

chasing Officers' Association, Wardrobe Court, 146A Queen Victoria Street, London, EC4. Price 7s 6d post free.

New High-speed Data-processing System

THE introduction of a new range of high-speed data-processing equipment known as the '300 DP Series' was announced by De La Rue Bull Machines Ltd, last month. The flexibility of this system makes the '300 DP Series' suitable for a very wide range of applications in both large and small organizations, operating at a speed at least double that of current conventional punched-card systems.

All the electro-mechanical units of the '300 DP series' operate at a basic minimum of 300 cycles per minute. Even this speed can be effectively increased by operating two or more units in parallel. Synchronization is completely automatic between all units of the series - reading, punching, calculating, and printing. Integration and simplification of work is thus facilitated by cutting down the number of separate machine operations.

The series is basically composed of independent prime-processing units which can be grouped and controlled in a wide variety of combinations to meet both normal and special problems of different types of customer. A personal system of independent or integrated units can be selected or combined with maximum flexibility and the greatest economic use of equipment.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through G & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

STATUTORY INSTRUMENTS**The Companies Liquidation Account (Interest) Order, 1960**

(S.I. 1960 No. 596)

The Companies Act, 1948, Section 362 (4), provides that, when the balance at the credit of any company's account in the hands of the Board of Trade exceeds £2,000, and the liquidator gives notice to the Board that the excess is not required for the purposes of the liquidation, the company shall be entitled to interest on the excess at the rate of 2 per cent per annum or such other rate as may for the time being be prescribed by order of the Treasury.

This Order prescribes a rate of 3½ per cent per annum in place of 2½ per cent per annum prescribed by the Companies Liquidation Account (Interest) Order, 1959.

Price 2d net.

April 1st, 1960.

The Public Trustee (Fees) Order, 1960

(S.I. 1960, No. 630)

This Order amends the Public Trustee (Fees) Order, 1957, in the following respects:

- (1) It alters the dates by reference to which trusts are valued for the purpose of calculating the Ad-

ministration Fee and the frequency of revaluation.

- (2) It increases the rate of Investment Fee from 5s to 6s per £100.

- (3) It authorizes the Public Trustee to charge an Income Collection Fee where the income of a trust is not paid direct to a beneficiary.

Price 3d net.

1st, April 1960.

The National Insurance (Contributions)**Amendment Regulations, 1960**

(S.I. 1960 No. 782)

These Regulations, which amend the National Insurance (Contributions) Regulations, 1948, relate to the conditions under which a person may be excepted from liability to pay, and may be credited with, a contribution for a week of unemployment despite the fact that he is following a subsidiary occupation. The Regulations vary the wording of one of the conditions, which describes the nature of the occupation, and make it clear that it need not be satisfied if the occupation is not followed under a contract of service.

The amendment corresponds with an amendment made for benefit purposes by the National Insurance (Unemployment and Sickness Benefit) Amendment Regulations, 1960 (S.I. 1960 No. 781).

Price 3d net.

May 9th, 1960.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Annual Church Service

A special service for members of the Institute will be held at St Margaret's Church, Lothbury, London, EC2, at 1 p.m. on Wednesday, July 6th. The members of the Council of the Institute will be present and the President hopes that as many members of the Institute as possible will also attend.

Taxation and Research Committee

The 109th meeting of the Taxation and Research Committee was held at the Institute on Thursday, June 16th, 1960, at 2 p.m.

Present: Mr A. H. Proud (in the chair); Messrs G. F. Ansell, R. D. R. Bateman, M.B.E., C. J. M. Bennett, C. V. Best, A. Blackburn, R. P. Brown, W. R. Carter, R. A. Chermiside, J. B. L. Clark, C.B.E., L. H. Clark, W. F. Edwards, A. R. English, E. S. Foden, C. R. P. Goodwin, W. S. Hayes, J. S. F. Hill, G. N. Hunter, R. O. A. Keel, S. Kitchen, E. N. Macdonald, D.F.C., G. P. Morgan-Jones, L. Pells, C. J. Peyton, B. D. Shaw, H. Eden Smith, D. E. T. Tanfield, A. G. Thomas, D. T. Veale, J. W. Walkden, F. J. Weeks, G. H. Yarnell, and Messrs J. Perfect, B. Manning, C.B.E., S. P. Wilkins, F. C. de Paula, and J. D. Green, with the Secretary and Assistant Secretary.

Mr E. N. Macdonald, D.F.C.

The Committee congratulated Mr E. N. Macdonald on his election to the Council of the Institute.

Company Law Committee

The committee were informed that a memorandum for submission to the Jenkins Committee on Company Law was approved by the Council at its meeting on June 1st, 1960.

Standing Sub-Committee

Reports were received from the following Standing Sub-Committees:

- General Advisory Sub-Committee.
- Management Accounting Sub-Committee.
- Taxation Sub-Committee.
- Planning Sub-Committee.

Ad hoc Sub-Committees

Reports were received from three special sub-committees.

Future meetings

The next meeting of the Committee was arranged for Thursday, September 22nd, 1960, at 2 p.m., and the following dates for future meetings have been fixed:

- Thursday, October 27th, 1960.
- Thursday, December 8th, 1960.

THE INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

Sixty-seventh Annual Meeting

The sixty-seventh annual meeting of subscribers of the Incorporated Accountants' Benevolent Fund will be held at the Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London, EC2, on Thursday, June 30th, 1960, at 2.30 p.m.

Copies of the report and accounts will be available at the meeting but a copy will be sent by post to any subscriber upon request to the Hon. Secretary of the Fund at Moorgate Place.

PROFESSIONAL NOTICES

MESSRS H. W. DAVIDSON & Co, Chartered Accountants, of 142 Cromwell Road, London, SW7, and 1A Horn Lane, London, W3, announce that they have opened a branch office at 5 Lower Addiscombe Road, Croydon, Surrey.

MESSRS JAMES, EDWARDS & Co, Chartered Accountants, of Salisbury House, London Wall, London, EC2, announce that Mr H. W. ELLIOT, F.C.A., has retired from the partnership.

MESSRS SIMSON GRANT & Co, Chartered Accountants, of 43 Villiers Street, London, WC2, announce that MR HAROLD GLEN GRANT, A.C.A., will cease to be a partner in the firm as from June 30th, 1960. MR WALLACE SIMSON, F.C.A., will continue to practise at the same address and in the style of SIMSON GRANT & Co.

MESSRS JARVIS, MAXWELL CHALMERS & Co, Chartered Accountants, of 230 Strand, London, WC2, regret to announce the death of one of their partners, Mr H. MAXWELL CHALMERS, B.A., C.A. The practice will be continued by the remaining partners at the same address and the name of the firm will remain unchanged.

Appointments

Mr J. E. Rowe, A.C.A., financial director of Birmingham Small Arms Co Ltd, has been appointed a director of Carbodies Ltd, and Idosan Motor Cylinder Co Ltd.

Mr J. W. Binsted, A.C.A., chief accountant of B.S.A. Motor Cycles Ltd, has been appointed a director of B.S.A. Metal Powders Ltd, and Metal & Plastic Components Ltd.

Mr C. C. Miller, B.COM. F.C.A., has been appointed a director of Macowards Ltd.

Mr H. C. Mayer, A.A.C.C.A., has been appointed to the board of R. & J. Beck Ltd.

Mr H. A. Parfitt, O.B.E., F.A.C.C.A., has been appointed Director of the Accountants' Division of the Board of Trade to succeed Mr E. L. Wright, C.B.E., F.C.A., who has retired.

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REVALUATION OF ASSETS

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OBITUARY

Harry Howard Bloomer

Mr Harry Howard Bloomer, a former partner in the firm of Bloomer, Heaven & Co, Chartered Accountants, of Birmingham, and an early member of The Institute of Chartered Accountants in England and Wales, has died at the age of 93.

Mr Bloomer joined the firm of Joseph Lewis, of Paradise Street, Birmingham, in 1882, at the age of 15. In 1893 he was admitted an Associate of the Institute and also became a partner in the firm, the name of which was changed to Joseph Lewis & Bloomer. Other changes subsequently took place, the present style being adopted in 1926 when the firm amalgamated with that of Harold V. L. Heaven. The present senior partner, Mr G. A. Clifford, F.C.A., was formerly articled to Mr Bloomer who retired from practice in 1929 and resigned from membership of the Institute in 1949.

A life-long student of natural history, Mr Bloomer was one of the world's leading authorities on the mollusca on which he wrote a number of pamphlets.

CERTIFIED ACCOUNTANTS' YEAR-BOOK

The newly published 1959-60 year-book of The Association of Certified and Corporate Accountants shows that membership of the Association at January 15th, 1960, numbered 10,551 an increase of 403 on the total of 10,148 at December 5th, 1957.

This new edition is greatly improved by the inclusion in the alphabetical list of members of full particulars of members' firms or companies. The innovation substantially adds to the value of the year-book as a quick and useful work of reference. A topographical list of members is also given, together with the names of members of the Council and committees; information about the district societies and Articles of Association, and details of the Benevolent Association.

INTERNATIONAL FISCAL ASSOCIATION

United Kingdom Branch

The report of the United Kingdom Branch of the International Fiscal Association for 1959-60, presented at the Association's annual general meeting held in London recently, states that membership during the year again showed a satisfactory increase. The meeting passed a resolution: deploring the terms of certain clauses of the current Finance Bill which purport to convert what would otherwise be capital into income or the purposes of the Income Tax Acts, and of clauses such as clause 26 which affect the taxpayer's long-established right to arrange his affairs to advantage within the framework of the Income Tax Acts; and believes that legislation which ignores the fundamental principle that income tax is a tax on income sets a bad example to other countries.

Annual Congress

The United Kingdom branch of the Association, led by the chairman of the branch, Mr Charles W. Aston, was well represented at the thirteenth annual congress of the Association held in Madrid last autumn and the general consensus of opinion was that it proved as successful as its predecessors. The subjects before the conference were: (i) the verification of tax liability, its legal, psychological and economic aspects; (ii) tax measures designed to facilitate international capital movements; (iii) unilateral measures for the avoidance of double taxation. British national reports were made by Mr N. D. Ashley, Mr A. G. Davies, LL.B., and jointly by Mr K. T. Newhouse, B.Sc.(ECON.), F.C.A., and Mr J. G. McBurnie, respectively.

Branch Meetings

In addition to meetings to discuss the results of the Madrid Congress and the British national reports which had been prepared for the 1960 Congress, meetings were addressed by Mr Roy Borneman, Q.C. ('Duality of residence of limited liability companies'); Mr E. B. Nortcliffe, overseas taxation manager, Unilever Ltd ('Country of origin' in relation to income from movable capital and intangible property); and Mr H. J. Hives, F.C.I.S., taxation adviser to the Selection Trust Group ('A taxation code in a developing country' (with special reference to the Central African Federation)), to whom the committee wish to express their thanks. These meetings were very well attended and the addresses gave rise to most interesting discussions.

1960 Congress

The annual congress will be held this year at Basle in September. The subjects for discussion will be 'The tax treatment of non-commercial capital gains' and 'Interpretation of double taxation conventions, methods and procedures'. The study subject will be 'Assessment of international debts and of interest thereon in United Kingdom taxation of individuals'.

The secretary of the United Kingdom Branch is Mr O. Brooks, A.C.I.S., Gray, Dawes & Co Ltd, of 122 Leadenhall Street, EC3, from whom particulars regarding activities of the branch may be obtained.

THE INSTITUTE OF INTERNAL AUDITORS

London Chapter

The report of the Board of Governors of the London Chapter of The Institute of Internal Auditors for 1959-60, presented at the twelfth annual general meeting on June 15th, shows that membership of the Chapter rose during the year from 123 to 144.

The Programme Committee, under the chairmanship of Mr R. G. Nicholson, have produced a very interesting programme for the 1960-61 session, the theme being 'Modernizing our auditing'.

MOTOR — FIRE — CONSEQUENTIAL LOSS

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The number of provincial chapters now stands at six. Negotiations are taking place in connection with the formation of other chapters in Dublin and Jerusalem. It is a matter for congratulation that these negotiations have resulted from the activities of the London Chapter, fostered by the European Vice-President, Mr J. O. Davies. The formation of the Ceylon Chapter, initiated by Mr Davies, is now completed.

It is announced that Mr Davies has been nominated Director of the European Region of the Institute.

The visit of the Managing Director to the United Kingdom in September 1959 was an historic occasion for the London Chapter this being the first time the Managing Director had visited the United Kingdom Chapters.

The highlight of the year's activities has undoubtedly been the first European Regional Conference, held in Blackpool in May 1960, and sponsored jointly by the London and Manchester Chapters.

Chapter officers for the year 1960-61 have been elected as follows:

President: Mr R. G. Nicholson, C.A.

First Vice-President: Mr S. A. Cropper, F.C.A.

Second Vice-President: Mr E. N. Judge, F.C.W.A., A.I.M.T.A.

Secretary: Mr H. G. Cox, c/o The Monotype Corporation, Salfords, Redhill, Surrey.

Treasurer: Mr V. H. Viney.

Governors (to hold office until 1963): Messrs R. C. Bedford, F.C.A., C. Fairbrother, C.A., J. C. Walker, E. S. L. Vincent, F.C.A.

INSTITUTE OF ACTUARIES

The annual general meeting of the Institute of Actuaries will be held in Staple Inn Hall, London, WC1, next Monday, at 5.30 p.m.

The report of the Council for the year ended March 31st, 1960, to be presented at the annual general meeting, shows that the present membership numbers 2,295, an increase of seventy-one over the previous years' total. The number of United Kingdom entrants in 1959 was lower than in the preceeding year - 129 compared with 153. The intake of university graduates has not yet recovered from the sharp fall in 1958, but the latest issue of *The Actuarial Profession* booklet has been the occasion for a renewal of interest from university appointments boards and recent insurance career conferences, the report states, have emphasized the aspects of an actuarial career likely to appeal to the graduate.

Students' Society

The students society in 1959 achieved a membership of over 1,000 and this year will celebrate its golden jubilee. The society held a series of meetings during 1959 at which a wide range of papers were presented and demonstrations of punched-card machinery and electronic computers were also arranged.

FAREWELL DINNER

On June 16th, the professional staff of the Accountants' Division of the Board of Trade gave a dinner to their Director, Mr E. L. Wright, C.B.E., F.C.A., at the London Club to mark the occasion of his retirement. Nearly fifty members of the present staff were joined by two former Directors of the Division, Mr W. E. Parker, C.B.E., F.C.A., and Mr A. R. C. Fleming, B.A., F.C.A.

As announced in another column Mr Wright is succeeded by Mr H. A. Parfitt, O.B.E., F.A.C.C.A.

CONFERENCE ON PENSIONS

The second regional conference of the Association of Superannuation and Pension Funds is to be held at *The Hawthorn's Hotel*, Bristol, on July 7th, when the topic for discussion will be 'The National Insurance Act, 1959'.

Addresses on the subject will include 'Advantages in favour of not contracting out', by Mr H. Chave Jones, F.C.A., of Boots Pure Drug Co Ltd, 'The Registrar's requirements and the procedures for contracting out', by Mr E. W. Whittemore, Office of the Registrar of Non-participating Employments and 'Administrative consequences of the Act, by Mr P. E. Clemow, M.A., F.I.A., of Unilever Ltd.

O.E.E.C. GUIDE ON RESTRICTIVE BUSINESS PRACTICES

The first two volumes of a series designed to incorporate existing legislation on restrictive business practices in member and associated countries of the Organization for European Economic Co-operation have been published by the O.E.E.C., European Productivity Agency¹. The two volumes deal with legislation in Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden, the United Kingdom and the United States.

This is the first time that a guide to legislation on restrictive business practices of this nature has been compiled and is of particular interest in view of the international developments now taking place in the field of restrictive business practices and the creation of wider markets.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

A car rally and treasure hunt will be held in Surrey on July 23rd, for which entry forms may be obtained from the library in Spencer House. The closing date for entry is Monday, July 11th.

¹ *Guide to Legislation on Restrictive Business Practices - Europe and North America.* H.M.S.O., London. Price two vols. £3 10s net.

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